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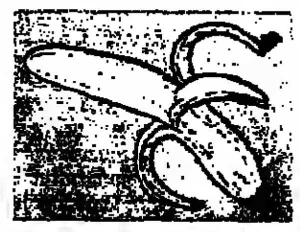

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World Business Newspaper http://www.FT.com FRIDAY DECEMBER 5 1997

IN TOMORROW'S WEEKEND FT

how to spend it colour magazine

The Marco Pierre White and Granada merger: who's taking orders now?

GEC Alsthom set for $6bn flotation in the spring

Sale will generate resources for both parent companies

By Alexander Nicoll and Andrew Edgecliffe-Johnson in London and David Owen in Paris

GEC Alsthom, the French/British power engineering and transport joint venture, is to be launched on stock markets next spring in an international offering that could value the company at $6bn-$7bn.

Under an agreement announced yesterday between General Electric Company of the UK and Alcatel Alsthom of France, each will retain 24 per cent in what is now a 50/50 venture, with the remaining 52 per cent to be listed on the Paris, London and New York exchanges as a French company.

The sale will generate resources for both parents to invest in what they see as key businesses – in GEC's case, defence electronics and other industrial businesses, and for Alcatel, telecommunications and defence interests.

Serge Tchuruk, Alcatel chairman, said he wanted GEC Alsthom, which makes the high-speed train *à grande vitesse*, to "take its destiny in hand". In the year to March 31, 1997, GEC Alsthom, which has headquarters in Paris and which employs more than 81,000 people, had net income of Ecu244m ($273.28m) on sales of Ecu9.44bn.

Mr Tchuruk described the planned sale as the second act in a reshaping that would see Alcatel refocus on its core telecommunications business while retaining important interests in the defence, transport and energy sectors.

The first decision came nearly two months ago, when France's Socialist-led government announced Alcatel's involvement in the creation of a national defence group centred on Thomson-CSF, the state-controlled electronics company.

For GEC, the offering will be the first significant step towards enacting a re-shaping planned by Lord Simpson, managing director, who wants the group to shift focus from joint ventures and towards businesses with high growth prospects, which it can control itself.

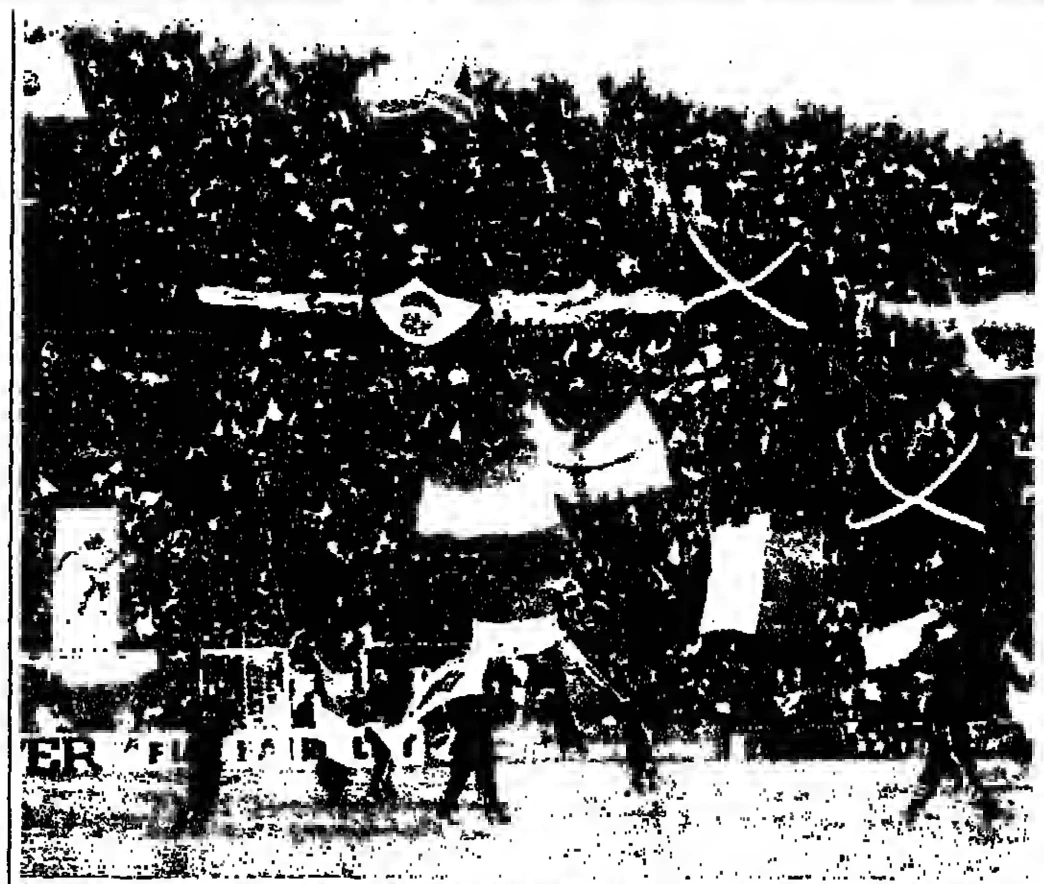
Lord Simpson described the agreement to launch Alsthom as a "perfectly satisfactory outcome". It was reached after negotiations following the announcement of GEC's strategy in July.

GEC's initial intention to demerge Alsthom, distributing stock to GEC shareholders, was replaced by the plan to retain equal minority stakes when it

Continued on Page 14

Lord Simpson: new focus

Serge Tchuruk: reshaping



Soccer supporters in Marseille wave national flags ahead of a match between Europe and the Rest of the World preceeding the draw for the World Cup finals to be held in France next year. Breaking with tradition, the teams were partly grouped by region rather than performance. Report, Page 14 Picture Reuters

South Korea's IMF deal and US bond rally lift markets

Simon Davies in London and John Labate in New York

World stock markets rebounded strongly yesterday, supported by confirmation of a $55bn International Monetary Fund rescue package for South Korea and a rally in the US bond market.

The US long bond yield fell below 6 per cent yesterday morning for the first time since 1996. Although afternoon bonds came off their morning highs, falling interest rates triggered a wave of bullish sentiment in the stock market. By early afternoon the blue-chip Dow Jones Industrial index had gained 39.04 points at 8,071.05.

"A lot of attention is on the bond market today," said Hugh Johnson, chief investment officer at First Albany.

By midday the long bond had lost some of its gains, with the yield at 6.009 per cent. But many analysts expect the market to make another attempt at lower yields today following the release of the monthly employment report for November.

World markets had got off to a good start following the announcement on Wednesday of the world's largest IMF rescue package for Korea. The Korean index advanced 7 per cent.

Stock markets recovered throughout much of east Asia. Hong Kong's Hang Seng Index was 267.36 points higher at 11,474.94. And there were signs that investors' risk appetite was returning, as yields in the battered emerging bond markets showed significant declines.

However, analysts warned of potential volatility, given the political impediments to implementation of Korea's IMF package. The country is holding presidential elections and the new president will not be in place until February.

Mark Cliffe, chief international economist at HSBC Markets, said: "The markets have been gloomy for so long that they were due a bounce. But I don't think this is a turning point. We have the non-farm payroll numbers from the US and a Japanese economic package yet to come."

Markets rallied in most of Europe, and the FTSE Eurotop 100 index climbed just over 1 per cent. The UK was one of the strongest performers. The FTSE 100 index surged 111.6 points to 5,082.3 yesterday, encouraged by the announcement of share buybacks from Reuters and GEC.

There was reassuring news from the Confederation of British Industry which reported weaker than expected retail sales data. Investors were also relieved that the UK central banks' monetary policy committee did not raise interest rates. The gilts market benefited, with the March futures contract gaining ¼ to 120⅛.

But Richard Kersley, chief European equity strategist at BZW, warned that the volatility in east Asia could still affect market sentiment.

S Korea markets soar, Page 4

WORLD NEWS

Dublin in offer over Ulster 'right to decide' amendment

The Irish government is prepared to enshrine in the republic's constitution the right of the majority of Northern Ireland's people to determine their future. Page 14; Peace talks, Page 10

New Mobutu probe urged
Switzerland wants banks to re-examine accounts after the government of Congo, formerly Zaire, suggested larger sums may have been deposited by the late President Mobutu Sese Seko than first thought. Page 8

Disagreement over Iran
Disagreements between Europe and the US over how to handle Iran are seen by the Clinton administration as the thorniest of the issues to be touched on at the US-EU summit in Washington. Page 6; Editorial Comment, Page 13

Nazi gold inquiry widens
The inquiry into looted Nazi gold will be widened to cover other assets which, in the case of stolen artworks, is likely to embarrass Russia, the Vatican and France. Page 2

UK warned on beef blockades
Brussels will take legal action against the UK if farmers' beef blockades continue to damage cross-border trade, EU transport commissioner Neil Kinnock said. Page 10

Hopes over climate deal
Negotiators at the climate change talks in Kyoto are optimistic a deal will be finalised by ministers, despite a European attack on Japan's performance as host to the 160-nation talks. Page 8

Car competition fear
Competition in Europe's car market is set to intensify if embattled Asian manufacturers redirect to Europe output intended for domestic buyers. Page 3

French recovery gathers pace
The French economy could grow 2.5 per cent this year, said economy minister Dominique Strauss-Khan. Page 2

Second Indian poll
India's 600m voters will go to the polls for the second time in two years after the decision by president K.R. Narayanan to dissolve the country's fragmented parliament. Page 14

Air safety proposals
US authorities have proposed safety measures they say could eliminate the possibility of fuel tank explosions such as the one suspected of having destroyed TWA Flight 800. Page 6

BUSINESS NEWS

DMG to reduce equity offices in Thailand, India and Korea

Deutsche Morgan Grenfell will today become the latest investment bank to cut back in Asia with plans to retrench on equities operations in Thailand, India and Korea. Page 15

Lufthansa of Germany became the fifth airline to announce it would buy planned new versions of the Airbus Industrie A340, but the launch of the aircraft is being delayed by the UK's reluctance to finance its development. Page 3

Bank of France has given a frosty reception to finance ministry plans to issue index-linked bonds. Page 2

Publicis, the Paris-based advertising agency, upped the stakes in its feud with True North of the US by launching a partial takeover bid which values the company at just over $700m. Page 15

Long-Term Credit Bank of Japan took the unprecedented step of revealing detailed estimates of its exposure to the Japanese stock market. Page 15; Honesty policy, Page 16

Kodak of the US is considering an anti-dumping suit against its competitor Fuji of Japan if a World Trade Organisation committee fails to call on Japan to reform its domestic distribution and pricing practices. Page 3

Reuters, the financial information group, ended its search for a means of returning excess capital to shareholders by announcing a capital restructuring that will allow it to distribute $2.5bn. Page 15; Lex, Page 20

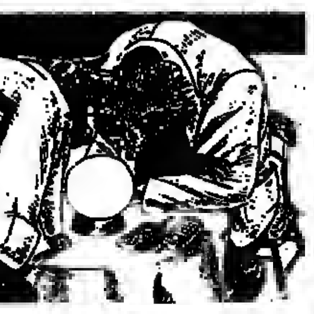
Russia is on the verge of unveiling a financial package to cope with the global turbulence that has shaken its fragile market economy. Page 2

Gazprom, Russia's gas monopoly, plans to raise between $9bn and $12bn of debt and equity capital before the end of the decade. Page 18

Veba, the German industrial group, announced a restructuring of its trading, transport and services division that will include a stock exchange listing next year for up to 49 per cent of its Stinnes subsidiary. Page 18

The Canadian military's attempts to procure 15 search and rescue helicopters from Westland-Agusta, the UK-Italian consortium, could be frustrated again by the federal cabinet's concern about allegations that the bidding was unfair. Page 3

FANTASY FORECAST



Where will the markets end?

Starts tomorrow in the Weekend FT

Swiss banks hold merger discussions

By William Lewis, William Hall, Clay Harris and Jane Martinson

Union Bank of Switzerland and Swiss Bank Corporation, two of the country's top three banks, have held merger talks, people close to both companies said yesterday.

The talks are thought to have centred on three options: a full merger, which would create the world's second largest bank with assets of nearly $600bn; a merger excluding UBS's equity operations, which could be sold to a third party; and a merger of Swiss retail banking interests.

A full merger would lead to considerable overlap in domestic Swiss banking operations and European investment banking businesses. It would create the world's largest fund manager and private banking operation.

It was unclear last night how far the talks had developed, but some people at both banks expected an announcement as early as today. UBS, whose board is meeting today in Zurich, and SBC declined to comment.

Both banks need to sort out marginally profitable retail operations in the heavily

Continued on Page 14

Markets

STOCK MARKET INDICES		
New York: lunchtime		
Dow Jones Ind Av	8069.56	(+37.55)
NASDAQ Composite	1617.82	(+2.48)
Europe and Far East		
CAC40	2914.45	(+12.10)
DAX	4139.80	(+56.91)
FTSE 100	5082.3	(+111.6)
Nikkei	16306.79	(-278.72)
US LUNCHTIME RATES		
Federal Funds	5⅝%	
3-mth Treas Bills: Yld	5.238%	
Long Bond	101⅝	
Yield	6.009%	
OTHER RATES		
UK: 3-mo Interbank	7⅞%	(7⅝%)
UK: 10 yr Gilt	105.7813	(105.546)
France: 10 yr OAT	100.73	(100.6)
Germany: 10 yr Bund	104.43	(104.18)
Japan: 10 yr JGB	109.76	(109.34)
NORTH SEA OIL (Argus)		
Brent Dated	$17.685	(17.835)

GOLD		
New York: Comex	$286.5	(292.6)
London:	$288.65	(292.65)
EXCHANGE RATES		
Dollar		
New York: lunchtime		
£	1.6703	
DM	1.77	
FFr	5.924	
SFr	1.4319	
Y	128.35	
London:		
£	1.6757	(1.6839)
DM	1.7704	(1.7584)
FFr	5.9258	(5.9188)
SFr	1.4317	(1.4277)
Y	128.375	(128.835)
Tokyo close		Y 128.95
Sterling		
DM	2.9665	(2.9777)

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Bank of France attacks bonds plan

By Robert Graham in Paris and Edward Luce in London

The Bank of France has given a frosty reception to plans by the Finance Ministry to issue index-linked bonds – the first in continental Europe.

Jean-Claude Trichet, governor of the Bank of France, attacked the suggestion, saying "the Bank of France will study this idea very closely".

He said "the rule in France is non-indexation" and indicated that the bank had asked the Finance Ministry to rethink the proposal. The bank is likely to prove difficult to win over, but the matter will have to be resolved quickly to defuse the political fall-out from such a public difference of opinion.

The Bank of France apparently had no prior notice of finance minister Dominique Strauss-Khan's plan, aimed at reducing the burden of servicing the country's debt, which will cost FFr232bn ($39.3bn) this year. The issue of bonds is strictly a Treasury matter but it would be courteous to inform the bank – especially as it is responsible for monetary policy to fight inflation.

France would be the first country in continental Europe to issue index-linked bonds if it went ahead as planned with the launch in the first half of 1998.

The bonds, which pay a coupon linked to the rate of inflation, are considered to be a strong statement of confidence in the government's ability to control long-term inflation.

"What France is saying is that it is confident inflation will remain low after it joins European monetary union in January 1999," said Mark Cliffe, chief economist at HSBC Markets in London.

Unlike investors in conventional bonds, which fluctuate with short-term interest rates, investors in inflation-linked bonds are assured of a real as opposed to a nominal rate of return on their holdings. The government, in turn, hopes to lower its cost of funding by ensuring that inflation remains low.

Analysts, however, say the move is also designed to bolster France's competitive position against Germany in advance of monetary union. France has recently introduced a number of initiatives in its government bond market in the hope of persuading investors to choose the French government bond as the European benchmark in euro-denominated bond trading after 1999.

Other initiatives include France's announcement last year that it would re-denominate all government debt into euros in January 1999. Germany and others have since followed suit.

"The decision to launch index-linked bonds is the latest move by France to stay ahead of Germany," said Graham McDevitt, bond analyst at Paribas Capital Markets in London. "It is designed to give investors more choice and flexibility in the French government bond market."

Of the other leading markets, only the US and the UK issue index-linked bonds although the US only introduced the instruments last year.

In the UK, where about 15 per cent of government debt is index-linked, the bonds are a popular instrument with pension funds and life insurance companies. Investing in the bonds enables the funds to match long-term assets with their long-term liabilities.

German growth shows imbalance

By Peter Norman in Bonn

Germany's economy grew steadily in the third quarter. But the recovery remained imbalanced with strong exports and rising productivity giving a boost to business investment, while unemployment grew and workers' incomes and consumption stagnated.

For e second quarter, gross domestic product increased by a real, seasonal and calendar adjusted 1 per cent compared with the previous three months, the federal statistics office reported.

Günter Rexrodt, the economics minister, said yesterday's data provided the first signs that Germany's booming exports were beginning to strengthen the domestic demand needed to cut unemployment. The figures suggested that growth this year would be around 2.5 per cent as forecast by the government in January.

GDP advanced by a real 2.4 per cent in the third quarter compared with the same 1996 period after year-on-year growth of 3 per cent in the second quarter. The growth slowdown was more apparent than real, however: the number of working days in the third quarter was about the same as in the equivalent 1996 period, whereas there were two extra working days in this year's second quarter compared with April to June last year.

Yesterday's third quarter figures highlighted the uneven nature of Germany's recovery. Exports of goods and services were 13.3 per cent up on the year before while imports were only 8.1 per cent higher. Investment in plant and equipment grew by 5.2 per cent – the fastest rate of growth since 1992.

But spending on construction fell 4.8 per cent compared with the 1996 third quarter. Public sector consumption grew minimally by 0.4 per cent and private consumption fell 0.3 per cent.

Imbalances were also clear in the income statistics. Germans saved only 8.9 per cent of disposable income in the quarter, down from 9.3 per cent the year before. Gross income from employment, accounting for 67 per cent of national income, fell 0.3 per cent compared with the third 1996 quarter while income from business activity and assets rose 13 per cent.

Total employment fell 61,000 from the second quarter and was 461,000 below the 1996 third quarter. Productivity, therefore, increased by 3.7 per cent compared with 12 months before, triggering a 2.4 per cent fall in unit labour costs – the sharpest fall since German unification.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg. ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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French economic recovery gathers pace

By Robert Graham in Paris

The French economy could grow 2.5 per cent this year, Domioique Strauss-Khan, economy minister, said yesterday.

This means that France and Germany, the two key partners in Europe's single currency project, are almost at exactly the same stage of the economic cycle.

France's economy grew at 0.9 per ceot in the third quarter after 1.1 per cent in the previous quarter.

Mr Strauss-Khan's forecast compares with the government's official projection of 2.2 per cent. In recent weeks Mr Strauss-Khan has consistently said the economy is recovering more robustly than predicted.

Private economists confirm the minister's view. But they warn that while domestic demand will continue to improve next year, exports will be less dynamic. The third quarter figures already reveal a slowing in the rate of increase in exports to 2.4 per cent from 5.3 per cent in the second quarter. This treod, combined with the impact of financial turmoil in Asia, is leading several economists to question the 1998 official forecast of 3 per cent. At least one is downgrading projections to 2.7 per cent.

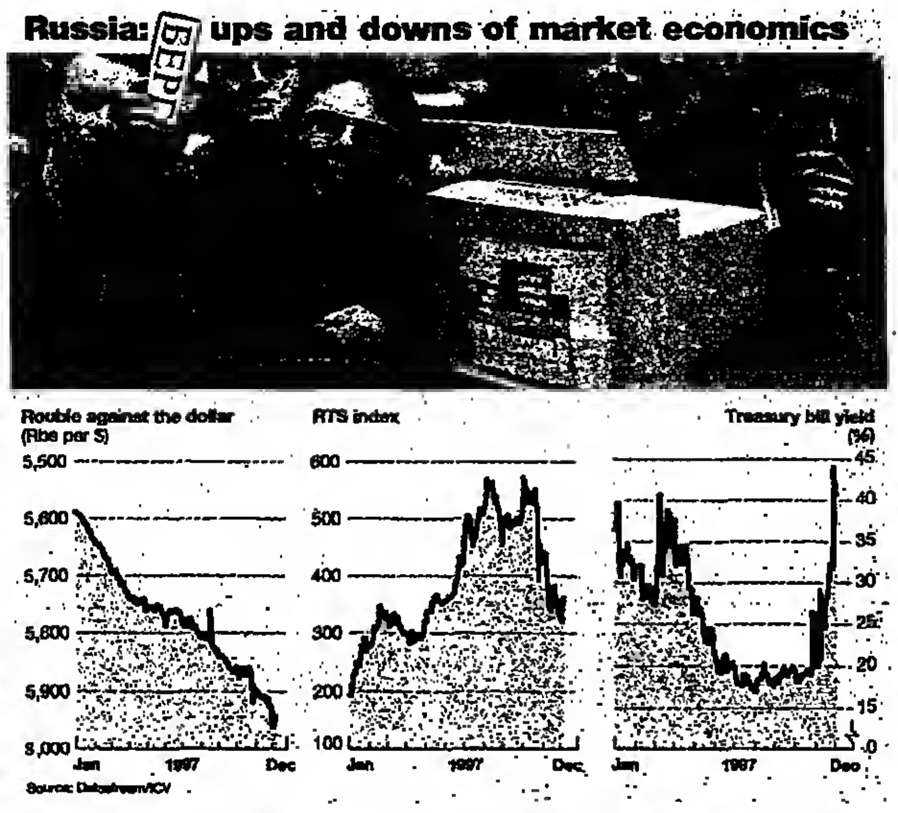
Until this last quarter the recovery has been strongly export-led. But there is now solid evidence of underlying domestic demand. Household consumption increased 1.1 per cent in the third quarter when it was stagnant in the second. Investment showed signs of picking up. After being negative to the tune of 1.9 per cent in the first quarter, and then growing 0.4 per cent in the next, in the third period it was up 1.9 per cent.

Reinforcing the picture of a racovery in domestic demand was a rise in imports by 3.7 per cent in the quarter.

Storm tactics as Russia tries to ride out the economic gale

Moscow needs big loans to plug its finances and shore up the rouble, report **Chrystia Freeland** and **John Thornhill**

Russia: ups and downs of market economics



When Soviet managers wanted to fulfil their plans on time they would often resort to *shturmovshchina* – or storm work. A looming deadline would spark lackadaisical workers into e frenzy es they rushed to build thet bridge or produce that extra tonne of nickel.

Such practices may have made the rickety Soviet command system tick over but they are hardly a way to run a modern economy. And yet Russian public finances appear to be run on precisely this principle.

In the past few days the Russian government has been in "storming" mode, desperately trying to plug a hole in its finances and pay off its Rbs10,200bn ($1.72bn) wage arrears to federal workers by the end of the year as President Boris Yeltsin has promised.

The challenge has been complicated by repeated clashes with parliament and the recent turmoil in the world's financial markets. The communist-dominated lower house of parliament has been frustrating the passage of the 1998 budget, which the government argues is essential to put finances on a sounder footing. Ministers have had to spend their time cajoling unruly MPs rather than addressing their mounting financial concerns.

After months of fighting, the parliament is still at loggerheads with the government.

The communist party, which dominates parliament, said yesterday it would vote against the first reading of the budget today.

But even if the Kremlin does push through the budget in short order, its woes will hardly be over. The government's poor record of tax collection this year has meant it is still unhealthily dependent on both domestic and foreign borrowing. That has left Moscow vulnerable to the Asian contagion, which has badly infected Russia by temporarily cutting off access to cheap international capital and pushing up the cost of domestic debt.

The government fears there could be e further swirl in this vicious circle. Foreign money is already flooding out of the domestic debt market, pushing up interest rates and pulling down the rouble. That instability has already prompted ordinary Russians to buy dollars, threatening a possible devaluation of the rouble next year.

The central bank's gold and foreign exchange reserves have been rapidly running down. Sergei Dubinin, the central bank governor, revealed this week international reserves had fallen to about $18bn, implying the bank has spent more than $3bn in defence of the rouble in the past two weeks.

Any devaluation of the rouble would bankrupt much of Russia's fragile banking sector and turn the redenomination of the rouble, planned for January 1, into a rout. The government's credibility would be shattered and Russia's hard-won stabilisation programme would be set back months, if not years.

Because that prospect is so bleak, the chances of avoiding it may be correspondingly high. Russian officials have already visited Washington to sound out IMF and World Bank officials about accelerating disbursement of big loans. This week, the Russian government approached a group of foreign commercial banks in Moscow to arrange up to $2bn in emergency financing.

In an effort to restore calm on the financial markets, the central bank has raised the refinancing rate from 21 per cent to 28 per cent and announced a more flexible trading regime for the rouble. Mr Dubinin said he was prepared to raise interest rates further to defend the rouble and would let the government debt market rise to its equilibrium level.

"I am confident we are at the turning point as far as foreign investors are concerned," said Dirk Damrau, head of research at Renaissance Capital, a Moscow-based investment bank. "But there is still the risk of a mistimed domestic run on the currency."

'Although it seems improbable, the government has demonstrated an amazing capacity to solve insoluble problems'

Economists predict the recent rise in interest rates will steady the rouble in the short run but argue this policy will become self-defeating after a certain point. ING Barings calculates that every percentage point increase in interest rates adds $640m to the government's domestic borrowings costs over the year. High real interest rates will also choke off economic growth, further reducing the government's revenue next year.

Given these pressures on the budget, Andrei Illarionov, director of the Institute of Economic Analysis, an independent think tank, argues the government will have no choice but to tackle its runaway public finances in a more systematic way next year.

But for the moment, he thinks the government's "storming" should enable it to pay off wage arrears by January 1. "Although it does seem improbable, the government has recently demonstrated an amazing capacity to solve insoluble problems. So I would not rule out that the government will fulfil this latest promise," he said.

Moscow to unveil financial package

By Chrystia Freeland in Moscow

The Russian government is on the verge of unveiling a financial package to cope with the global turbulence which has shaken Russia's fragile market economy, Victor Chernomyrdin, the Russian prime minister, said yesterday.

In a further effort to reassure anxious investors, the premier insisted that the Russian government was in full control of the economic situation.

"Today we completely control the situation," Mr Chernomyrdin said. "The basic financial strategy for the near term... is almost ready. We do not need massive financial support, such as that which was given to South Korea."

In jittery markets, official assurances that the situation is "under control" often have the opposite effect. However, yesterday the prime minister's pledge coincided with a 6 per cent rise in share prices, while yields on the treasury bill market, which rose to 41 per cent earlier in the week, dropped sharply.

Analysts attributed the tentative improvement to the central bank's recent decision to raise interest rates and its assurance that it would help Russia's biggest banks to weather the international economic storm.

"I feel cautiously optimistic," said Par Mellstrom, head of research at Brunswick Brokerage, e Moscow-based investment bank.

The ministry of finance sought to offer longer-term assurances of Russia's solvency by telling investors yesterday that it was not using expensive, rouble-denominated bonds to finance the budget deficit. Investors have worried that high interest rates on the domestic market could break Russia's budget next year.

Bella Zlatkis, head of the securities and financial markets department at the ministry of finance, said the government was only using the domestic bonds it was selling now to retire old debt. She said the government would again begin financing its budget deficit on the domestic bond market only after rates dropped to 30 per cent.

Nazi gold inquiry to target stolen art

By David Buchan and William Hall in London

The international inquiry into looted Nazi gold is to be broadened to cover other assets which, in the case of stolen artworks, is likely to embarrass Russia, the Vatican and France.

Stuart Eizenstat, the US under-secretary of state, yesterday announced at the end of the three-day Nazi gold conference in London that a follow-up conference into the fate of these other assets would be held in Washington within six months.

At the same time Mr Eizenstat called on the 41 nations at the London conference to complete their investigations into the origins and fate of Nazi loot by the end of 1999.

The most concrete achievement of the conference was the setting up of a new fund to help victims of Nazi persecution, to which the US, UK, Austria, Greece, Luxembourg, Croatia, Brazil, Argentina and Poland have pledged contributions. The core of the fund is likely to come from the remaining 5.5 tonnes of gold still to be distributed by the Tripartite Gold Commission.

The conference also agreed to set up an international website to exchange information on Nazi booty. Robin Cook, the UK foreign secretary, who hosted the conference, claimed it marked a change "in the international community's effort to locate the truth about this dark period of European history". During the conference the Czech and Polish governments said they would open their archives, as did Degussa, the German precious metals company which was the Third Reich's main gold smelter.

Widening the investigations will, however, meet further resistance from Russia, which only took part in the London conference provided it did not centre on the issue of stolen art, and from the Vatican, which only participated in London as an observer and refuses to open its wartime archives.

US delegates yesterday paved the way for the follow-up conference on other Nazi loot, to be held at the new US Holocaust Museum in Washington. Based on work with the Allianz insurance company, Professor Gerald Feldman of Berkeley told delegates how Jews were robbed of the proceeds and benefits of insurance policies.

Mr Hector Feliciano, a member of the US team and author of *The Lost Museum*, e recent book about unreclaimed Jewish art in French museums, said one third of France's privately held artworks changed hands during the war and that museums like the Louvre, D'Orsay and Pompidou Centre had yet to identify the real owners of some 2,000 paintings.

US museums held numerous paintings probably stolen from Jews during the war, Mr Feliciano claimed, while the Russians took as many as 5,000 artworks from Germany at the end of the war.

NEWS DIGEST

Sweden urged to back euro

Sweden's leading opposition parties yesterday urged the government to abandon its wait-and-see approach to European economic and monetary union, warning that the country risked isolation by refusing to embrace the single currency.

The Moderate and Liberal parties, which could form a coalition to challenge the ruling Social Democrats after next September's general election, said Sweden should join Britain in making a positive statement over future participation in the euro.

Carl B. Hamilton, chief economics spokesman for the centre-right Liberal party, added that Sweden should become a founder member of the single currency in 1999.

The Moderate party, led by Carl Bildt, has called for a referendum in 1998 on the single currency and has vowed to campaign in favour of Sweden's membership.

But Erik Asbrink, finance minister, told parliament yesterday that there was little public support for Sweden becoming a founder member of the single currency.

He indicated that the government would not decide on Swedish participation in the euro before the beginning of 1999. Presenting a bill on Sweden and Emu, he emphasised that the country would keep the door open for a later entry – but only if the policy was endorsed in an election or referendum. *Tim Burt, Stockholm*

■ GERMANY'S SPD

Schröder plea for flexibility

Gerhard Schröder, the German Social Democrat contemplating a possible run as chancellor next September, sought yesterday to emulate the success of Tony Blair with a speech to his party's conference that clearly echoed many themes adopted by the UK prime minister.

The emphasis by Mr Schröder – premier of the state of Lower Saxony – on self-achievement, job creation through labour market flexibility, and a restricted state, contrasted sharply with the passionate leftwing agenda set out by Oskar Lafontaine, SPD chairman and the other possible chancellor-candidate.

Warning of the need for the party to rally around a vote-winning agenda ahead of next year's federal elections, Mr Schröder insisted: "If we don't make it this time, then we ourselves will be to blame". The SPD chooses its chancellor candidate after state elections in Lower Saxony next March, which will give an important indicator of public support for Mr Schröder.

But Mr Schröder faced public criticism from the party's left wing, which urged support for a shorter working week. Highlighting the particular problems of red-tape in Germany, Mr Schröder claimed 95 per cent of specialist tax literature published worldwide was in the German language. *Ralph Atkins, Hanover*

■ DANISH CONTROVERSY

Immigration rules tightened

Denmark's Social Democratic Party-dominated minority government, worried by a surge in support for the right-wing populist Danish People's party, yesterday announced measures that will make the country less attractive to immigrants.

Refugees and immigrants who cannot support themselves will be made to attend classes in Danish and Danish social conditions. If they fail to attend, their social security will be cut.

New restrictions will be placed on the right to bring family members to join immigrant families, who will lose the right to bring their parents to the country for permanent residence. Immigrants convicted of serious crimes will be thrown out of the country.

A strident campaign by the Danish People's party, led by Pia Kjaersgaard, a former hospital cleaner, critical of immigration and rules which allow refugees and immigrants to live for long periods on social security has sent the opinion poll ratings for the party as high as 15 per cent. This has caused panic among the remaining parties, which face e general election at any time between now and next September. *Hilary Barnes, Copenhagen*

■ ETA'S POLITICAL WING

Leaders remain defiant

Spain's Supreme Court told the leaders of the Basque Eta guerrillas' political wing yesterday that they would be jailed within 24 hours to begin serving seven-year prison sentences.

But in defiance of the judges' order, some of the radical politicians convicted earlier this week of collaborating with the separatists said they would not voluntarily turn themselves in.

The leaders of Herri Batasuna, a legal radical nationalist party which holds considerable sway with Basque voters, also refused to pay the 500,000 peseta ($3,300) fine the court imposed on Monday when it handed down the guilty verdict.

Judges yesterday ordered the defendants to report today to the jail nearest their homes after denying their request to remain free on bail while launching an appeal before the constitutional court, officials said.

"We're not going to pack our suitcases and go directly to jail," said Joseba Alvarez, a member of Herri Batasuna's executive committee. There was concern that imprisonment of the politicians could provoke further retaliation by Eta. *Reuters, Bilbao*

■ TURKISH HUMAN RIGHTS

New directives for police

The Turkish government yesterday issued e set of directives intended to improve the handling of suspects by police. The announcement came just e week before the European Union is to decide whether to invite Turkey to a conference bringing together candidates for possible EU membership.

Turkey's poor human rights record is one of the major obstacles cited by EU members opposed to Turkey's participation.

The new directives order police to be meticulous about custody records and to implement regulations already in force, such as mandatory medical examinations of suspects before and after interrogation. It also orders governors and local representatives of the Ankara government to carry out frequent surprise visits to police stations to make sure such rules are being followed. *AP, Ankara*

■ SWEDISH INVESTIGATION

Inquiry into Fairbank ends

Swedish authorities have ended a year-long investigation into Fairbank, a high-risk currency trading scheme which cost ethnic Chinese investors up to SKr8m ($1.04m).

Anna Lena Dahlqvist, the prosecutor who conducted the probe for the Serious Economics Crimes Squad, has told Fairbank's customers: "There was no indication of crime according to Swedish law." She said material collected had been turned over to Britain's Serious Fraud Office, which had helped to investigate Fairbank and other companies run by Dannis Cheung, a 39-year-old UK businessman. After Fairbank's activities were exposed last December, Mr Cheung placed the company into bankruptcy. He was arrested in Hong Kong and brought to the UK where he awaits trial on charges of fraud and theft which followed an SFO investigation into Pagoda, a UK-based currency trading scheme. *Darrell Roberts Tien, Stockholm*

NEWS: EUROPE

IMF intervenes in Ukraine bond deal

By Charles Clover and Chrystia Freeland in Kiev

The International Monetary Fund yesterday scotched a deal by Merrill Lynch to underwrite a large issue of Ukrainian treasury hills, which would have bailed the government out of a difficult financial situation created by the turmoil in world emerging markets.

Merrill had been in negotiations to structure finance for the Ukrainian government in local currency denominated T-Bills, hut the IMF objected strongly, forcing the Ukrainian government to cancel the deal. Banking sources say that the deal was worth some $450m.

One of the IMF's possible objections may have been that the yield of the T-Bills was to he indexed to the exchange rate of the dollar to the local currency, the hryvnia, which would have guaranteed the lender against devaluation but created open ended liability for the Ukrainian government.

Last week tha IMF released two tranches of a stand-by loan worth $100m, which had been stalled hy high budget deficits. The release of the money was seen as a vote of confidence in Ukraine's reform process.

But Ukraine must borrow heavily this month to meet its budget obligations without printing money despite the global financial turmoil, which up to a week ago had made it practically impossible for Ukraine to market its debt ahroad. Expenditures on average in December are usually nearly double those of any other month and this December looks to be no exception, with a heavy debt service schedule.

Nonetheless few foreigners would be willing to hny Ukrainian debt without hedging the currency risk, as Merrill sought to do. Most bankers point out, however, they would be more willing to lend dollars, as default risk is slight by comparison to devaluation risk.

Without sufficient foreign capital to fund tbe bond market, Ukraine would face pressure on its currency, which has been stable for nearly three years but last month wobbled dangerously, dipping helow its 1.7-1.9 hryvnias to the dollar band on several exchanges.

In an effort to revive Kiev's treasury bills and shore up the hryvnia, Victor Yushchenko, chairman of the national bank, said last week Kiev had introduced high yielding, very short term government bonds.

"We understand that alongside Ukraine there are other markets which will try to do their best to attract capital," Mr Yushchenko said, arguing the Ukrainian government believed it had to offer yields attractive enough to compete with struggling emerging markets world-wide.

Romania knocks on EU entry door

By Anatol Lieven in Bucharest

The Romanian government is making a last-ditcb attempt for inclusion among countries negotiating to join the European Union, even though it realises that early membership is unlikely. The final decision will be made at an EU summit next week in Luxembourg.

Romanian ministers see membership as a vital national interest and receot difficulties in the country's reform process may have increased their hunger for a foreign policy victory.

Adrian Severin, the Romanian foreign minister, still hopes EU governments will change their minds on limiting accession negotiations to only five states. "This should not be a question of accountancy and timescales hut of political vision," be said.

"We need to recognise that we are dealing not with a process of expansion but reunification," he said. "This should be an opportunity for a new meeting between western and eastern Europe, which will give birth to new common standards and a new architecture."

One aspect of Romania's campaign to join both the EU and Nato has been an attempt to convince the west that Romania is an important force for regional stability. As part of this strategy, Romania last week signed a trilateral security initiative with Ukraine and Poland.

Tha west bas praised Romania for its regional and security role and its military reforms. There is a widespread belief among diplomats that as long as the economic reform process continues, an invitation to join Nato is likely when the alliance holds its next review in 1999.

However, there is growing frustration among western diplomats that the Romanian government's concern with the symbolism of starting EU negotiations is not matched by adequate preparations for tha negotiations themselves.

The EU is now planning a new category – "accession partnership" – as a consolation priza for those countries not listed for early membership.

Turks choke on inflation remedy

John Barham on why Ankara is ducking the IMF's shock treatment

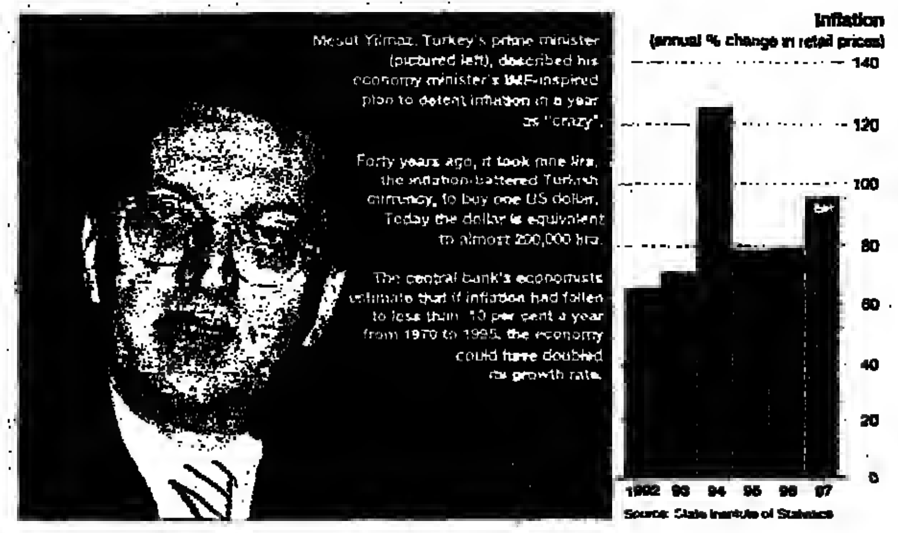
Turkey has suffered galloping price inflation for decades. And for weeks, ministers have announced and then retracted a variety of shock plans, gradual programmes and price freezes aimed at stopping an inflation rate that is heading for 100 per cent a year.

Gunes Taner, aconomy minister, started it all last month when he returned from Washington after an abortive attempt to convince the International Monetary Fund to support a gradual three-year assault to cut inflation to 3 per cent by the end of 2000. Arriving in Ankara, he said the government had given in to the Fund's demand for an immediate attack on inflation: "We agreed with the IMF on a shock programme agreement. It is now a matter of setting the figures for this shock programme."

The newspaper Milliyet pictured Mr Taner on its front page showing how the plan would work on his personal computer.

He would freeze puhlic prices between January and May and prevail upon the private sector to halve planned prices increases. Agriculture support prices would be set at the start of 1998 and not raised during the year. Privatisation revenues of $5bn would boost pnblic finances while the government reformed the deficit-ridden social security system and cracked down on rampant tax evasion.

Turkey: what price to beat inflation?



But the next day, Mesut Yilmaz, the prima minister, described his minister's IMF-inspired plan as "crazy". He had already stated "we do not have the necessary political conditions for a one year programme." Mr Yilmaz was more concerned ahout preserving his five-montb-old coalition, which consists of two conservative parties and one centre-left party and is 53 seats short of a majority in parliament.

Doubts about the stability of the coalition grew yesterday when one member, the People's Republican party, warned that it would not support the government in a censure vote next week. Its leader, Deniz Baykal, said: "The government is finished. Turkey will have to go to early elections next year."

In the face of political difficulties Mr Yilmaz has reaffirmed his previous three-year strategy, and has also toyed in public with the idea of a price freeze. The pro-government press loved the idea, describing it as "heavenly". But financial markets feared Mr Yilmaz was preparing for snap elections, normally the signal for a populist free-for-all.

Analysts say there is a policy struggle between rival cahinet factions and senior advisers. The politicians are either bostile to reform or, like the prime minister, want a cautious approach. Tbe technocrats urge a higher-risk programme to crush inflation in one year, whicb if it works would win Mr Yilmaz the next election and a place io history as the man who stopped inflation.

With only a few weeks to go before tbe new year, when the battle against inflation is formally meant to begin, the confusion is eating into his political capital. Mr Yilmaz came to office with almost unconditional backing from the media, the business community and the army, which had led the campaign to unseat Necmettin Erbakan as Turkey's first Islamist prime minister. Public opinion, sbaken by 11 months of erratic rule by Mr Erhakan, migbt have accepted drastic measures against inflation. That support is less certain now.

Rahmi Koç, owner of Koç Holding, Turkey's biggest industrial group, said he would forgo profits to support the government, but executives later explained that prices would probably still have to continue rising.

Few other countries have suffered as much inflation and currency depreciotion for as long as Turkey. Forty years ago, it took nine lira, the inflation-battered Turkish currency, to buy one US dollar. Today the dollar is equivalent to almost 200,000 lira.

But Gazi Ercel, the central bank's highly respected governor, warns that "inflation has become the most disruptive force in the economy, responsible for many of the major problems facing Turkish society. Fighting inflation cannot belong to o single party's programme. It should be the first priority of all politicians."

Big budget deficits piled up by decades of spendthrift populist governments are the principal cause of Turkey's inflation. The central bank's economists estimate that if inflation had fallen to less than 10 per cent a year from 1970 to 1995, the economy could have doubled its growth rate. Annual gross domestic product would have grown to $300bn now instead of $185bn.

European divorce convention agreed

By Emma Tucker in Brussels

Divorcas granted in European Union countries will have to be recognised in all 15 member states under an agreement reached hy justice and home affairs ministers yesterday.

A matrimonial convention, which has been on the table for four years, seeks to clear up the messy legal processes that currently surround divorces involving more than one member state by clarifying which country has jurisdiction to grant a divorce and requiring other countries to recognise the result.

"This convention is about people," said Elisabeth Guigou, tha French justice minister, who recalled that too many EU decisions were concerned with goods and services and not about citizens.

Under the convention – which still has to be signed and ratified by the member states – couples can ask for a divorce in their principal country of residence.

If tbey are of the same nationality, but living abroad, they can opt to have the case dealt witb at home.

At present the failure of member states to recognise each other's laws throws up costly prohlems for mixed nationality couples and for divorcees from one country seeking to remarry in another.

For example, a French divorcee who decides to remarry a Spaniard in Spain bas to have tbe divorce judged independently hy a Spanish court. In future, the Spanish authorities will have to recognise the decree granted in France.

It took four years to conclude tbe convention because of the huge divergence between divorce laws in Europe and the fact that final agreement had to be unanimous.

In Finland, for example, it is possihle to obtain a divorce in six months, while Ireland has only just legalised divorce.

Southern member states had difficulty with the more relaxed approacb of their Nordic partners, while Britain's approach to custody is out of step with the rest of Europe.

Rules eased on foreign takeover bids ☐ Won worries may stall inflows of capital ☐ Opposition attacks 'national humiliation'

S Korean markets soar after $57bn IMF-led deal

By John Burton in Seoul

South Korean financial markets yesterday responded positively to the $57bn international rescue led by the International Monetary Fund as the government eased foreign takeover rules.

The Seoul bourse staged a record 7 per cent rally to 405.81 points in the heaviest trading volume for a single day.

After the market closed, the government announced it would raise the foreign shareholding limit in listed companies on December 15 to 50 per cent from 26 per cent in response to the IMF package. It also increased the ceiling on individual foreign shareholdings in listed companies to 50 per cent from 7 per cent, which removed a barrier to foreign takeovers.

But the concessions came with an important caveat as the government said it would continue to ban hostile foreign takeovers. Any takeover would have to be approved by the board of the target company and the authorities.

The restriction on hostile takeovers gave the first indication that the government is still not willing to accept full financial liberalisation, and raised doubts about its implementation of measures to open the Korean economy to foreign investment under the IMF accord.

Nonetheless, analysts said that conglomerates burdened with heavy debts might be willing to sell troubled subsidiaries to foreign investors in an effort to raise capital. The low prices of Korean shares could prove an incentive for foreign companies to buy Korean assets cheaply.

Foreign response to the wider opening of the stock market will be dictated by the strength of the Korean currency, the won, in coming weeks. Indications that the won could weaken further might delay capital inflows as foreign investors worry about potential foreign exchange losses.

The won yesterday climbed to 1,190 to the dollar, although the recovery was cut short by fears of insolvencies among commercial and investment banks.

Seoul said it expected to receive its first tranche of $5.5bn today if the IMF board approves the bail-out agreement. The size of the deal increased to $57bn yesterday after Italy joined the donors and as the UK, Germany and France each promised to increase their contributions to $1.25bn from $1bn.

While the financial markets were celebrating, public reaction was largely negative. Newspapers headlines spoke of "national humiliation" and the "loss of economic sovereignty".

Korea's main opposition party, seeking to exploit public unhappiness before the December 18 presidential election, said it would proclaim December 3 as "national economic humiliation day". It promised to try to renegotiate terms of the IMF deal if its candidate, Kim Dae-jung, won.

Mr Kim, who is in a virtual tie with the government candidate, said in a letter to the Korean president that he would carry out the IMF agreement in principle but would want to pursue discussions on details if elected. Mr Kim proposed a wage freeze and a suspension of sackings for six months if IMF terms lead to restructuring and job losses.

● A table published in the FT on November 25 wrongly defined ratios for Korean bank lending as bad and doubtful debt. The published figures actually related to precautionary and non-performing loans under Bank of Korea definitions, which also includes loans at less serious risk such as credit to companies with gearing of more than 400 per cent and loans on which interest is overdue for less than six months.

Taiwan set to benefit from Seoul's travail

By Laura Tyson in Taipei

South Korea's financial travails may ultimately prove a boon for Taiwan, its keenest commercial rival and one of the few Asian countries to escape serious harm in the turmoil that has swept the region.

Korea's *chaebols* (conglomerates) are likely to benefit immediately from depreciation of the currency, the won, boosting sales of memory chips, computer monitors, and some steel and petrochemical products, areas where the two countries overlap.

But longer term, Taiwan's nimbler companies could seize the advantage by continuing to invest while Korean competitors languish as their cash crunch worsens.

For Taiwan, stealing a march now on South Korea is made sweeter by the frostly ties between the two since Seoul dumped Taipei to set up diplomatic relations with Beijing several years ago.

"The crisis in Korea will be a shock for us in the short term but in the long term, it should make Taiwan companies more competitive," said Daniel Chen, chief economist at Chinatrust Bank.

Manufacturers agree. Acer Peripherals, an arm of the Taiwanese computer maker, makes personal computer monitors, an area in which Korea's Samsung and other *chaebols* hold a strong market position.

"We will be affected, but not much," said Eric Yu, Acer Peripherals' spokesman. The company's monitor-making operations are mainly in Malaysia, where manufacturing costs have fallen substantially due to depreciation of the Malaysian currency, the ringit.

Further ahead, the *chaebols'* high debt ratios will translate into financing costs much higher than in Taiwan. "The economic slowdown in Korea means they will have cash problems, so they won't be able to invest," Mr Yu said. "The pressure will come from our Taiwanese competitors, not from Samsung."

Taiwan's memory chip makers are preparing for Korean competitors to flood the market to raise cash, and the depressed value of the won favours them. The price of a D-Ram chip has fallen from $3.50 before Korea's devaluation to $2.50 recently, said Liu Chi-tung, an analyst at SBC Warburg.

D-Ram prices were on a downward trend anyway. "Long term, we think this is a good opportunity for Taiwan companies," he said. "The *chaebols* won't have the cash to invest in capacity expansion and some may even go bankrupt. So Taiwan will grab market share."

China Steel, Taiwan's leading steelmaker, expects South Korean steelmakers to boost exports, pushing prices down slightly, beginning next year. But Korean steel does not play a significant role in the Taiwan market, so the impact will be indirect, says Chung Le-min, the company's finance director.

Mr Chung is confident China Steel's exports will not lose market share because the company has longstanding customer ties not easily broken. It exports 20 per cent of its output, with half of exports going to Japan – mostly hot-roll coil.

Here China Steel is contending with Korea's Posco, the other "quality" supplier to Japan. "We're not worried about the competition," Mr Chung says, but "we will have to wait and see" when prices are adjusted in the first quarter of next year.

Financial turmoil will sort out Asia's sheep and goats

Businessmen and fund managers are beginning to peer through the gloom of Asia's financial market turmoil. What they see is the prospect of a multi-speed Asia, with a much greater differentiation between economies, policies and attractions to investors.

"All the markets are affected by contagion, a contagion of sentiment as well as fundamentals," says Manu Bhaskaran, managing director for south-east Asia of Socgen Crosby. "We are moving to a phase, probably by the start of next year, where investors will begin sorting the sheep from the goats."

Apart from investors weighing their options in the region, such distinctions will prove vital to economies in need of foreign funds to provide long-term financing.

Sir Gordon Wu, chairman of Hopewell Holdings, believes investors will demand higher rates of return for infrastructure projects in countries with poor policy records. Not surprisingly, given the travails of his $3.7bn Bangkok mass transit project, he points a finger of warning at Thailand. "Investors will ask for the moon, a 25 per cent return," he claims.

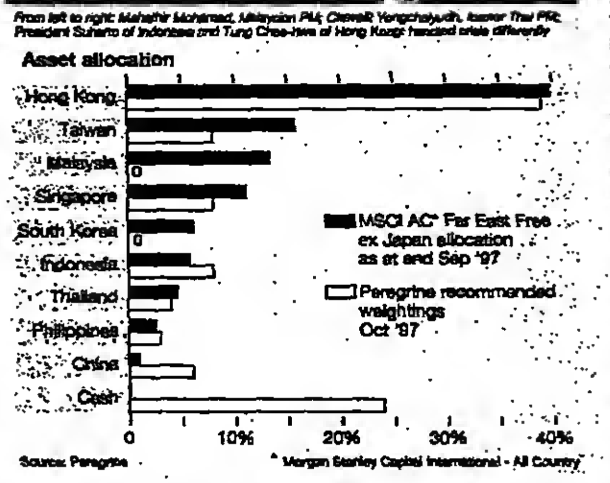
The director of one European manufacturing group says his company remains committed to expansion in the region, but is reviewing strategy in terms of where to locate production plants.

In manufacturing, signs of a shift in focus take time to emerge. But financial markets are already signalling shifts. "Currencies have stopped moving in sync and we are seeing adjustments in fixed income spreads," says Andrew Freris, head of Asian research at Bank of America.

In the equity markets, performances are becoming increasingly divergent, with Hong Kong's recent rally marking a sharp contrast to falls in Korea and Thailand.

East Asia: varied customers

From left to right: Mahathir Mohamad, Malaysian PM; Chavalit Yongchaiyudh, former Thai PM; President Suharto of Indonesia and Tung Chee-hwa of Hong Kong: handled crisis differently



Source: Peregrine * Morgan Stanley Capital International - All Country

The most important considerations, Mr Bhaskaran says, are government policies in response to the crises and the strength of the financial sectors.

Political and social issues have also become more important as economic downturn raises fears of instability and ethnic tensions, or brings uncertainty in forthcoming elections in Korea, Indonesia and the Philippines.

Hong Kong and Singapore are seen as havens of sensible policy-making and comparatively robust fundamentals. Elsewhere, there is less consensus. "I think you would put Korea and Thailand together in the same bucket, where recovery could be as long as five to 10 years," says André Lee, managing director of fixed income at Peregrine Investment Holdings.

Not all are so gloomy about Thailand. "Their investment climate should improve once investors perceive politics are irrelevant to economic policy decisions," says Mr Freris. "The current account deficit, the root of the current troubles, should shrink sharply in 1998 and 1999."

While Malaysia's financial system is seen as fairly robust compared with others in the region, critics focus on the policy front.

The attacks by Mahathir Mohamad, Malaysia's prime minister, against currency speculators, recent government moves to put a hold on development of the country's Bakun Dam and the controversy over restructuring at Renong, the infrastructure group close to the ruling hierarchy, have fuelled disenchantment.

The 11 per cent fall in the Kuala Lumpur stock market after the announcement about the dam underlined the swift judgment of financial markets.

"Malaysia is the best example, after Thailand, of what is wrong with much of 'middle Asia', caught between the First World it aspires to, and the Third World it thought it had left behind," says Schroders Securities.

Jakarta has won praise for its response to the downturn. "Indonesia is looking good in terms of policy," says Mr Bhaskaran. The decision to close 16 banks suggests the government is serious about reform. Like Indonesia, the Philippines scores well on policy measures, but is penalised by political uncertainties.

Beyond the distinctions between regional economies, some see a broader shift at work. Timothy Beardson, chairman of Crosby Financial Holdings, believes the crisis will force a wave of market liberalisation, where countries worst afflicted will be forced to make the biggest reforms and could end up more competitive.

Mr Lee at Peregrine predicts the economies of Greater China will emerge in robust shape. "If anything, the theme of this crisis is that it has highlighted the transfer of economic power from Japan and Korea to the Chinese," he claims.

Such a trend is far from certain. China could be the biggest and last domino to fall under the strain of reduced export competitiveness and rising deflationary risks. That would jeopardise Hong Kong's currency peg and its prospects as a financial centre.

Taiwanese industry is exposed to Korea's falling won and Japan's shaky yen. But so far, Greater China has shown more resilience than elsewhere. For investors surveying the region, relative gains are the name of the game.

John Ridding

Foreign cars suffer double blow in Japan

By Michiyo Nakamoto in Tokyo

The Mercedes-Benz showroom in Aobadai, a suburb of Tokyo, was unusually quiet one recent weekend. The German company had held a campaign to show off a new model, only to find most Japanese were too concerned about the economy. Just a handful showed up during the campaign which would normally have attracted hundreds.

Foreign carmakers are suffering a double blow from the downturn in the Japanese economy. The recent economic gloom has combined with the impact of the weak yen to further damp down the Japanese appetite for imported cars.

Last month, imported car sales dropped 19.4 per cent, according to one industry association, bringing the decline for the year to the end of November to 6.2 per cent. While reverse imports of Japanese transplants showed the biggest declines, US carmakers as well as some European companies also posted significant falls.

Mercedes-Benz has, in fact, been one of the stronger performers through the year, increasing sales through November by 1.5 per cent. November sales were down a relatively mild 3.5 per cent.

BMW suffered a 38.9 per cent decline in its German-made cars last month, bringing the 11-month fall to 9.4 per cent. The company was faced with a shortage of its popular models in November, which arrived late in the month, it said. If its US-made roadster is included, sales were flat.

Opel and Volvo, two star performers in better days, posted declines of 23 per cent and 34.5 per cent respectively in November.

Among US carmakers, Ford sales declined 25 per cent last month and a sharp 40 per cent to the end of November, though it has not raised prices due to the weak yen. General Motors saw a 24 per cent drop in 11 months, with Chrysler sales dipping 14 per cent.

This is a sharp reversal from the good times imported cars enjoyed while the yen was stronger. Then, many foreign carmakers saw double-digit growth and moved to expand dealer networks. "The fall in the stock market has had a strong effect on sales," said a BMW representative. While the company's more economical model, the 3-series, has held up relatively well, the dearer models that tend to be favoured by people with assets have been shunned as those assets have shrunk.

It was taking customers longer to make their purchasing decisions, BMW said. But some foreign companies improved sales despite the poor climate. Rover has raised sales 11.3 per cent so far this year, Audi 13.2 per cent and Peugeot 18.9 per cent.

HK property victim closes

By John Ridding in Hong Kong

Hong Kong's property slump claimed its first casualty yesterday, when Goodfortune Realty, a medium-sized real estate agent, closed its doors.

The move came amid warnings of a rise in unemployment and as one of the biggest property developers predicted the downturn in the sector could be protracted. "I think this [the downturn] is going to be with us for some time," said Victor Li, vice-chairman of Cheung Kong, flagship of Li Ka-shing's business empire.

Property prices in Hong Kong have fallen more than 10 per cent since regional currency turmoil swept into the territory in October. Higher interest rates to defend the currency link to the US dollar and an expected fall in economic growth have prompted predictions by some analysts of a further decline of 25 per cent.

Real estate agencies are seen as particularly vulnerable to the downturn, with expectations of further failures after Goodfortune received court permission to go into liquidation.

While Hong Kong has proved more resilient than most east Asian economies to the regional financial upheaval, with interest rates having eased substantially over the past few weeks, most economists expect further pressure on the currency.

Schroders Securities yesterday predicted that unemployment would rise to 3.6 per cent next year, compared with 2.3 per cent at present. A further rise to 4 per cent is expected in 1999.

According to Schroders, which has taken a relatively negative stance on Hong Kong's prospects, the unemployment rise will take its toll on the retail sector as the jobless tighten their belts to maintain mortgage payments and as the wealth effect of falling property and share prices feeds through.

"Sales of cars and consumer durables are expected to nosedive in 1998 in the range of 30-40 per cent year-on-year," it said.

The government played down fears about a rise in joblessness, with Jacqueline Willis, commissioner for labour, citing large numbers of vacancies in the labour market. Donald Tsang, financial secretary, says growth is unlikely to fall much below the trend level of 5 per cent next year.

While businessmen remain confident about long-term prospects, illustrated by upbeat survey results published yesterday by the American Chamber of Commerce, they warn of a difficult adjustment. "I don't believe we have recovered our competitiveness," said Linus Cheung, chief executive of Hongkong Telecom.

Shanghai learns need for market caution

James Harding and Tony Walker talk to the city's mayor about growth and foreign investment

Xu Kuangdi, Shanghai's jovial mayor, is indefatigable in promoting his city as a business gateway to China and world financial hub. He is an optimist.

But Mr Xu, a highly qualified metallurgist who has been mayor since 1995, recognises that the meltdown of south-east Asian markets and troubles in Japan and South Korea will probably slow the opening of China's markets and also prove a drag on foreign investment.

"Shanghai draws on the lessons of the financial crisis in south-east Asia," he says, "that we cannot develop the financial markets or open up to financial institutions too quickly."

"The water in the Shanghai pond is not that deep," he adds. "If a big fish came in, it could cause a lot of trouble. We are waiting for a time when the water is deep enough to accommodate big fish – even whales."

Shanghai has been largely insulated from regional turbulence in recent months, as capital flows in and out of China are tightly regulated: China's currency is not yet fully convertible.

In an interview, Mr Xu provides a generally upbeat assessment of Shanghai's economy, but he also says the regional crisis has made a big impact on the leadership.

"It will take about 10 to 15 years before we can have a good and sound financial market. I think we will wait a time until the capital market in China will be developed and integrated with the international market."

The unravelling of the region's currencies and financial markets will also have "a round-about impact" on the Chinese economy, according to Mr Xu.

Foreign direct investment in Shanghai is set to decline this year, as investment in the overcrowded property sector has fallen. Foreign investment will reach $6bn in 1997, compared with $11bn in 1996, $10.5bn in 1995 and $10bn in 1994.

Currency devaluations in south-east Asia are also affecting China's foreign trade. Mr Xu offers anecdotal evidence from the recent trade fair in Guangzhou in southern China to underline the point: south-east Asian buyers had demanded 30 per cent cuts in the prices of Chinese-made goods because they were no longer able to honour contracts which had been struck in US dollars.

Shanghai's mayor Xu: looking on the bright side AP

Chinese exporters to western Europe and north America in the textile and light industry sectors are also likely to be affected as the currency adjustments elsewhere in the region give rival exporters "quite a strong price advantage".

Nevertheless, Mr Xu believes Shanghai's growth will continue to exceed the national average. In the past six years Shanghai's gross domestic product grew at an average 14.1 per cent, but the municipal government is seeking to tame that growth gradually. Last year the growth rate slipped to 13.5 per cent, this year it is expected to be 13 per cent and by 2000 it is likely to have fallen to 10-11 per cent.

"The major reason for the lowering of the GDP growth rate in Shanghai is not because of the reduction in the industrial and agricultural output or retail service. Rather it is because we have controlled investment in real estate development."

Shanghai has also seen a number of big international companies committing substantial sums to large-scale projects this year, he says, citing General Motors' $1.5bn investment to build Buicks, NEC of Japan's $1.2bn joint venture to make computer chips and Sony's intention to make large-screen colour televisions.

Despite the establishment of new industries, Shanghai is still struggling with the problem of redundancies created by the failure of old, state-owned industries. About 7-8 per cent of Shanghai's 4.7m workers are out of work.

Unemployment, the mayor says, is a consequence of the restructuring of industry in Shanghai and most of the lay-offs have come from textile, light industry and machine-processing companies. Over time the city plans to become more service-oriented. The tertiary sector currently accounts for around 43 per cent of Shanghai's GDP, up from roughly 30 per cent in 1990, and on the way towards the 48-50 per cent target for 2000.

"Shanghai's ambition is to be one of the world financial centres," says Mr Xu, but it will take time before China can dispense with the regulations that protect its financial institutions and markets from the forces of international capital.

The recent rumble in the financial markets in Asia has shown Mr Xu that it will take time before Shanghai ranks with the heavyweights: "Now we could not fight with a Tyson or a Holyfield. If we were to fight with them, we would be knocked out immediately."

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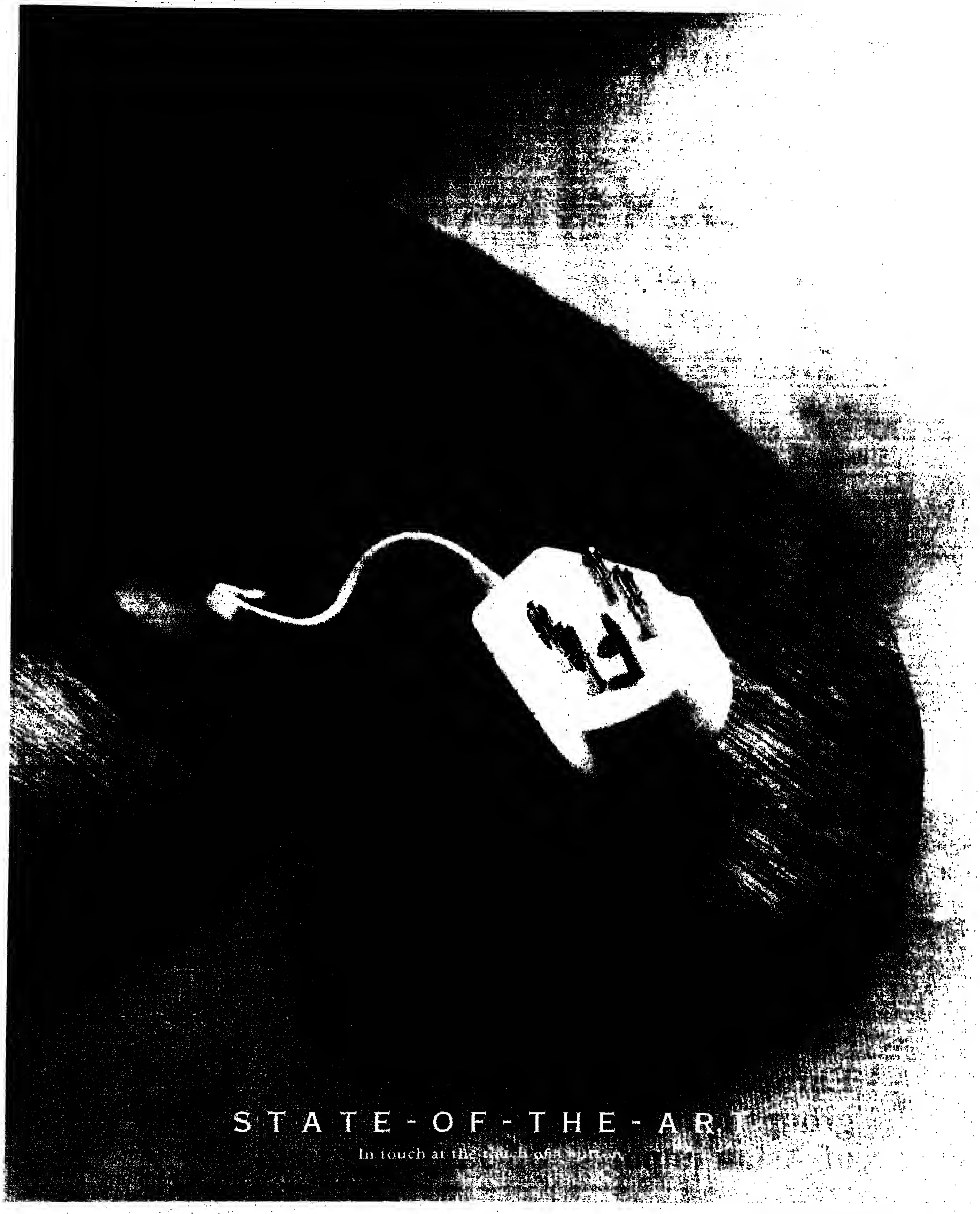

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NEWS: THE AMERICAS

Iran dispute may cloud EU-US summit

By Bruce Clark in Washington

The US has a "wish-list" of measures it would like the European Union to take against Iran but is pessimistic about European willingness to co-operate, according to senior US officials.

Disagreements ovar how to handle Iran, and US threats to impose sanctions on tha French energy concern Total because of its recent $2bn gas contract with Tehran, are viewed in Washington as much the thorniest of the issues that will be touched on at today's US-EU summit in Washington.

President Bill Clintoo will be meeting two polltlclans from Luxembourg: Jacques Santer, the president of the European Commission, and his successor as prime minister of the EU's tiniest state, Jean-Claude Juncker.

"Fallure to tackle Iran properly not only affects US-EU relations, but also threatens the long-term security of the [Middle Eastern] region," said one senior policymaker, aaying an acceleration in Tehran's effort to build non-conventional weapons had made the issue more urgent.

The US administration will come under irresistible pressure after Congress reconvenes in January to say what it proposes to do about Total and its Russian and Malayaian partners: impose sanctions, grant a waiver or enter further negotiations. Any decision to allow a waiver will run into massive Congressional protest unless the US side has won some concessions.

At a minimum, the US would like its European partners to take practical and legal steps to prevent Iran acquiring equipment that could be used to build weapons of mass destruction or foment terrorism. Washington would also like the EU to co-operate in dissuading third parties – such as Russia, whose missile technology exports are under scrutiny in Washington – from abetting Iran's rearmament.

Thirdly, the US wants to see the Europeans impose some economic sanctions of their own against Tehran to deny Iran the money to build destabilising weapons and create some incentive for a change in behaviour.

While European officials will certainly reaffirm their strong objection to the extra-territorial character of US laws against Iran, Libya and Cuba, they will not be able to give the White House much satisfaction over its securily concerns because of the EU's lack of authority in that area.

Details of a joint declaration on electronic commerce were belng haggled over till the last moment – with France and Spain trying to modify US calls for a "tariff-free internet" with little regulatory interference.

Editorial Comment, Page 13

It's Christmas every day, shops lament

One of the hottest selling toys in the US this Christmas is Sing & Snore Ernie, a Sesame Street character who drifts off to sleep singing "Twinkle, Twinkle, Little Star" and wbose stomach rises and falls as he snores.

"We haven't sold out of them yet," says Toys R Us, the biggest US toy retailer, recalling last year's hysteria over shortages of the Tickle Me Elmo doll. "Bnt we're selling them as fast as we can get them."

Yet even as shoppers join the pre-dawn queues to be sure of getting an Ernie, US retailers are harbouring fears that, in terms of overall aales, this Christmas could prove to be the latest in a series of duds.

Last Friday – the day after Thanksgiving Day and the unofficial start of the Christmas shopping season – the stores were crowded with shoppers. But people seemed more inclined to regard the outing as a kind of ritual spectator sport than actually to do much spending.

Yesterday, as store groups reported their sales figures for November, several reported disappointments. Sears Roebuck, the second biggest US retailer, said sales fell by 0.6 per cent at stores that had been open a year or more. J.C. Penney's department stores saw a decline of 3.1 per cent.

In theory, Americans should be spending as never before. The economy is in excellent shape, unemployment is low, and the Conference Board's index of consumer confidence is little short of the 28-year high it hit in June.

But the US economy has been growing for years, only to have delivered a run of disappointing Christmases. The 1980s boom saw 10 per cent increases in sales; these days retailers count themselves lucky if sales rise by as little as 3 per cent.

According to the National Retail Federation, an industry body, one of the main reasons Christmas has lost its fizz is that consumers are shopping more throughout the year, and no longer wait until Christmas to buy the things they want.

Tracy Mullin, federation president, says: "When I was a child, there were two times in a year when I got stuff: I got stuff on my birthday and I got stuff at Christmas.

"Now, parents seem to be more willing or able to buy things for their children throughout the year. They don't wait for the holiday to get them a new pair of tennis shoes, a new backpack, a new compact disc or a new piece of electronic stuff."

Another factor suppressing Christmas sales, Ms Mullin suggests, is that, after years of prosperity, many Americans may have just about everything thay need or want. For these people, traditional gifts have become increasingly irrelevant.

"Obviously that's not true for everybody, but it may be true for more people than it used to be," says Ms Mullin. "For them the Christmas holiday is not the all-important season it once was."

A recent telephone survey of 1,000 people by Deloitte & Touche, the accountancy firm, supported the contention that Christmas is losing its grip on the consumer's purse. It found that 30 per cent of consumers thought holiday gift-giving in their families was less important than it was several years ago, while only 13 per cent felt it was more important.

Deloitte & Touche said the biggest reason for the downturn in gift-giving was changes in family composition – children growing up and leaving home, higher divorce rates, and the geographic dispersion of family and friends. But many respondents also cited a growing distaste for the seaaon'a commercialism.

Further evidence of the downturn is provided by Commerce Department statistics showing that, although November and December sales accounted for a mighty 23.9 per cent of the annual total last year, the proportion was down from 25.3 per ceot in 1988.

But one interesting aspect of the figures is that they embrace only conventional gifts – general merchandise, apparel and furniture, or GAF spending in Commerce Department terminology. Absent from the figures are newly emerging, alternative forms of giving.

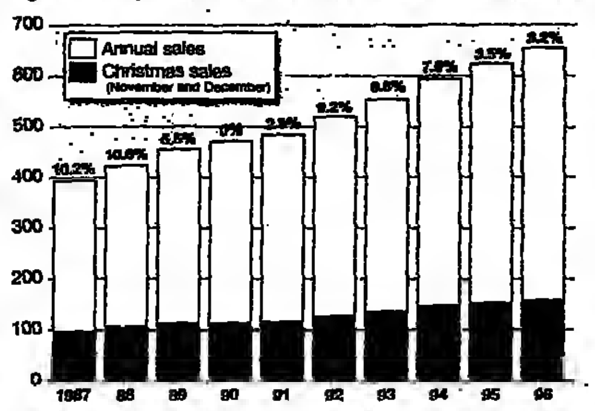
"We see a trend towards experiential gift giving," says Ms Mullin. "People are giving trips as gifts, and tickets to sporting events. They are giving gifts that the whole family can enjoy like home entertainment centres, computers or pieces of exercise equipment, rather than a sweater or a tie.

"This is what we think is the beginning of a long-term trend that retailers need to identify, understand and prepare for."

Richard Tomkins

Cold turkey

US retail sales ($bn)
Figure at the top of each bar is the annual increase in Christmas sales



Note: Figures represent sales of general merchandise, apparel and furniture.
Source: Department of Commerce, Bureau of the Census

Bail-out critics emerge in US

By Nancy Dunne and Heather Bourbeau in Washington

First murmurings of opposition to the international bail-out of the troubled Asian economies are emerging from Capitol Hill.

The Senate Repnbllcan policy committee contends that the International Monetary Fund "austerity" measures are not enough and "may do little to alter the cosy relationship between the South Korean government, large banks, and the *chaebol* [conglomerates]" that dominate the Korean economy.

The group is calling for an end to non-reciprocal trade practices, which it says bave kept US prodncts out of the Korean market. These include excluslonary tariffs, regulatory barriers, discrimination in government procurements and export subsidies. Lanch Faircloth, a Repnbllcan senator, has been in discussions with Bernie Sanders, an independent representative, over a bipartisan effort to limit the amount of money the administration can speud without congressional approval.

Mr Sanders will ask President Bill Clinton to call a congressional session to address taxpayers' liabillty in the planned bail-onts.

NEWS DIGEST

Minister quits in Argentina

Armando Caro Figueroa, Argentina's labour minister, resigned yesterday, opening the way for cabinet changes in the wake of the ruling Peronist party's defeat in October's mid-term elections.

Mr Caro Figueroa, who has not attended recent cabinet meetings, has taken much of the blame for lack of progress on labour reform. He angered unions this year by threatening renewed efforts to impose reforms by decree. He also crossed swords last month with Roque Fernández, economy minister, by warning that slower economic growth next year would hit job creation.

Frontrunner to succeed Mr Caro Figueroa is Antonio Erman González, currently ambassador to Italy and a former president of the central bank and economy minister. He is a long-time confidant of President Carlos Menem. *Ken Warn, Buenos Aires*

■ AIRCRAFT SAFETY

New equipment proposed

The US Federal Aviation Administration has proposed adding safety equipment to aircraft that would flush dangerous vapours from fuel tanks and insulate the tanks from heat sources. The changes would "greatly reduce, if not eliminate, the possibility of fuel tank explosions", such as the one suspected to have destroyed TWA Flight 800 last summer, killing 230 people, the FAA said.

In a letter to James Hall, the chairman of the National Transportation Safety Board, Jane Garvey, FAA administrator, said the agency was not ready to proceed on three other recommendations from the board for a variety of reasons.

But she said an advisory committee was being directed to identify ways to implement the safety board's recommendation that new, and possibly older, Boeing 747 aircraft be fitted with nitrogen "inerting" systems in fuel tanks and that insulation be added between heat-generating equipment and fuel tanks. An inerting system flushes explosive vapours from empty space in fuel tanks by pumping in nitrogen or some other non-flammable gas. *AP, Washington*

■ EL SALVADOR

Telecoms sale relaunched

El Salvador has relaunched the sale of its state telecoms carrier Antel with provisions allowing foreign investors to increase phone tariffs in line with the growth of the telephone network.

International carriers are being invited to bid for 51 per cent stakes in two new telecoms companies, one of which, Corporación de Telecomunicaciones de El Salvador (CTE), will take over 98 per cent of Antel's assets, including its staff of 5,000, and will run the terrestrial phone network.

Another company, Internacionales de Telecomunicacion (Intelsa), will be given a licence for the B-band cellular spectrum.

CTE will be allowed to raise its tariffs by a percentage equal to the percentage increase in the number of lines in service, up to a ceiling of 15 per cent above inflatioo next year and 20 per cent until 2002.

Interested companies have been given until the end of January to qualify for the bidding process, which is expected to follow next May. *James Wilson, Panama City*

NEWS: WORLD TRADE

Canadian helicopter deal held up again

By Scott Morrison in Toronto

The Canadian military's attempts to procure 15 search and rescue helicopters from Westland-Agusta, a UK-Italian consortium, conld be frustrated once again by the federal cabinet, wbicb is concerned abont allegations that the bidding process was unfair.

A few weeks ago, Westland-Agusta appeared to have secured the contract bnt two competitors then complained that the defence department had written the specifications to favour the UK-Italian consortinm'a larger, more expensive EH-101 Cormorant. That has prompted federal officials to take a closer look at the bidding process.

"There are serious questiona about tbe specifications of the request for proposals," said a federal official. The cabinet will bave to make a decision that not only meets Canadian needs, bnt is also politically defensible, the official said.

The Canadian mllitary had expected to take possession of 50 EH-101 helicopters nnder a C$4.8bn (US$3.37bn) contract signed by Westland-Agusta and the previous government. That order was deemed too costly and subsequently cancelled when Jean Chretien became prime minister in 1993.

A second request for bids announced earlier this year attracted four competitors, but critics argue the defence department favoured the EH-101 Cormorant, a smaller, less expensive version of the model rejected four years ago.

In a recent letter to the federal cabinet and members of parliament, Sikorsky Aircraft, the US manufacturer, said there are indications that it and another company "may have been misled into bidding only to serve a pre-determined outcome". The defence department declined to comment on Sikorsky's letter.

Launch delayed by UK government's reluctance to help finance development

Lufthansa to buy ten A340-600s

By Michael Skapinker, Aerospace Correspondent

Lufthansa of Germany yesterday became the fifth airline to announce it would buy planned new versions of Airbus Industrie'a A340. But the launch of the new aircraft is being delayed by the UK government's reluctance to help finance its development.

Lufthansa said it would order 10 A340-600s, an extended version of tbe Airbus A340. The carrier also said it was buying five Boeing 747-400s.

The orders from Airbus and Boeing have a total value of more than DM3.6bn ($2bn). Lufthansa said the 747s would he delivered between 2000 and 2002. The A3406-600s would go into service in 2003.

Airbus – which is owned by Aerospatiale of France, Daimler-Benz Aerospace (Dasa) of Germany, British Aerospace and Casa of Spain – had hoped to announce the official launch of the new versions of tha A340 at the Dubai air show last month.

But the launch has had to be dalayed because BAe has so far failed to convince the UK government to contribute £120m ($200.5m) of the $2.5bn cost of developing the aircraft. Under a 1992 agreement between the US and the European Union, governments are permitted to fund up to a third of the development cost of new aircraft.

The other Airbus governments are thought to be ready to help finance the new aircraft. However, the UK government has said that BAe has sufficiant funds of its own and does not need an additional contribution from the taxpayer.

BAe argues that airlines' interest in ordering the aircraft means that the government would earn a healthy return on its investment.

The company said yesterday: "We want, with our partners, to get on with tha programme hut we're still waiting for the government's decision."

Airbus saya that it bas already won orders for more than 50 of the planned new A340s. Air Canada, Virgin Atlantic of the UK, Eva Air of Taiwan and Egyptair have ordered the aircraft, in addition to Lufthansa.

Airbus is planning to develop two aircraft: the A340-500, a longer range version of the original A340, and the A340-600, a "stretched" model.

The four-engined A340-600 will be able to carry up to 380 passengers, allowing it to compete with Boeing's twinjet 777. Lufthansa said, however, that it would have only 330 seats in its A340-600s to give more room to first and business class passengers.

European motor groups fear flood of Asian imports

By Haig Simonian, Motor Industry Correspondent

Competition in Europe's car market, the world's second biggest after the US, is set to intensify if embattled Asian manufacturers redirect outpnt originally destined for domestic buyers to Europe.

Louis Schweitzer, president of the European Automobile Manufacturers' Association and chairman of Renault, warned that the recent economic turmoil in Asia could hit European manufacturers in their home market. Mr Schweitzer said lt was too early to tell if Asian cars would flood into Europe. He warned that any surge in exports from South Kores, Malaysia or Japan, where demand has collapsed after recent economic upheavals, would exacerbate Europe's chronic overcapacity by swamping the market and distorting prices.

Asian car production will become more sensitive, especially in France, after the expected announcement next week by Toyota, Japan's biggest carmaker, that it will build s new factory in the northern city of Valenciennes.

However, Mr Schweitzer stepped back from demanding import restrictions on Asian cars. "I don't think restriction is an answer. But lt may be a necessary means to obtain an opening on the other side."

Such measures might be required for Korea, wbere sales of foreign cars remain minimal in spite of Seoul's pledges to liberalise trade. While Korea exported almost 250,000 cars to Europe last year, the flow was less than 5,000 units in the other direction.

Separately, Mr Schweitzer said Europe's carmakers would be debating soon whether to extend the "gentleman's agreement" limiting car exports from Japan to Europe, which expires in 1999. He argued Japanese manufacturers had done better out of the 1991 deal between the European Commission and Tokyo than expected, because the European market had not grown as forecast, allowing Japanese exporters room to expand without breaching the ceiling. in the first 10 months of this year, sales by Japanese carmakers were almost 12 per cent above the previous level st 1.34m.

However, Mr Schweitzer said an extension of the gentleman's agreement was unlikely. Although some European carmakers would like that, there would be political opposition. As s replacement, "a form of monitoring of developments in the Japanese and European markets would be welcome".

A steady drive, Page 16

Kodak may seek 'dumping' action on Japanese rival

By Nancy Dunne in Washington

Kodak of the US is considering an anti-dumping suit against lts competitor Fuji of Japan if a World Trade Organisation panel fails to issue a ruling, perhaps as early as today, pressuring Japan to reform its distribution and retail pricing practices in its home market.

Japan is operating from a "profit sanctuary" at home, said Chris Padilla, Kodak's director of international trade relations.

This allows it to sell lts products at a "less than fair value" price in the US.

Kodak would be reluctant to pursue an anti-dumping complaint, even though it has lost market share to Fuji in the last three years. While Kodak's share is still about 65 per cent, it has been losing share while Fuji has been gaining between 3 and 4 per cent annually.

There was s gloomy atmosphere at Kodak this week when 10,000 workers received notification of job losses.

The company has announced that it expects earnings to be 25 per cent lower this year than last year due to competition from Fuji, export sales hurt by the stronger dollar, and losses from digital technology development.

Mr Padllla said tbe company would prefer that the US win its case in Geneva rather than pursuing a domestic solution. The case – which basically pnts Japan's distribution and competition system on trial – represents a concerted effort by the US to use multilateral pressure, after years of pressing Jspan bilaterally, to open its market to exports.

"It will be a landmark decision for the WTO which goes well beyond film," said Mr Padilla, adding that reforms by Japan would allow other products to penetrate the market.

"It is the best documented case ever brought to the WTG," be said. The panel of three neutral trade judges was presented with 20,000 pages of evidence and 20 volumes of appendices, as Fuji attempted to match Kodak's filing pound for pound.

Fuji has denied the US charges, and says the US has totally fabricated its case, claiming Fuji has been able to out-compete Kodak, even in the US.

There are three separate targets in the US complaint focusing on sales and distribution.

Tokyo has already promised to change its Large Scale Retail Law, which goes some way towards addressing US concerns but Washington maintains this is not enough.

"We anticipate lbat the case will be a success," said Mr Padilla.

NEWS DIGEST

Court blow to Subic Bay sale

The Philippines Supreme Court yesterday intervened in the privatisation of the Subic Bay container terminal when it issued an 11th-hour temporary restraining order halting the bidding process.

The court's decision – less than 24 hours before the winning company was due to be announced today – is a further blow to the credibility of the country's privatisation efforts. It was prompted by a move earlier by Hutchison Ports Philippines, local subsidiary of Hong Kong's Hutchison Whampoa and a previous bidder, which requested the court cancel the bidding. The court gave Subic authorities and other government agencies involved in the privatisation 10 days to comment on the case. Subic Bay Metropolitan Authority (SBMA) said lt would abide by the court'a decision, but declined to comment. In Hong Kong, Hutchison Whampoa also refused to comment.

Hutchison argues the government should award it the contract – worth an estimated $50m-$200m – after the decision by SBMA last year to choose lt over rival bidders. In January, President Fidel Ramos overruled SBMA and ordered a rebidding instead, saying tender regulations had not been followed.

Julius Caesar Parreñas, director of a Manila-based think tank, said the privatisation was now muddled. "I think the Supreme Court is taking a very activist role in economic affairs," he said. "It's a double-edged aword because it shows the vitality of our democracy but also increases uncertainty for investors." *Justin Marozzi, Manila*

■ CARIBBEAN TRADE TALKS

Call for Cuba to be included

The Caribbean's chief trade negotiator, Sir Shridath Ramphal, yesterday called for Cuba to be included in moves by the Caribbean region to defend its position in future negotiations with Europe on a new agreement to succeed the Lomé Convention. Formal negotiations for an arrangement to succeed the existing Fourth Lomé Convention between the European Union and the African, Caribbean and Pacific (ACP) group, which expires in 2000, are due to start in September 1998.

"Cuba is part of the Caribbean. It must be with us as we make our way in the wider world," be told a Europe-Caribbean conference in Havana.

He criticised the US government for maintaining a trade embargo against Cuba while at the same time seeking to develop a free trade area for the Americas: "Are were really serious in believing that a free trade area in the Americas can be really legitimate if it starts on the basis of exclusion?" *Pascal Fletcher, Havana*

■ EFTA INITIATIVE

Canada trade talks to start

Ministers of the European Free Trade Association (Efta), which groups Switzerland, Norway, Iceland and Liechtensteio, yesterday announced that free trade negotiations with Canada would begin next year. Unlike Efta's other free trade initiatives, the talks with Canada will not parallel negotiations being pursued by the European Union. A free trade agreement would thus give industry in Efta countries a competitive advantage in the Canadian market over EU rivals.

The planned accord will cover trade in industrial goods, fish and other marine products. *Frances Williams, Geneva*

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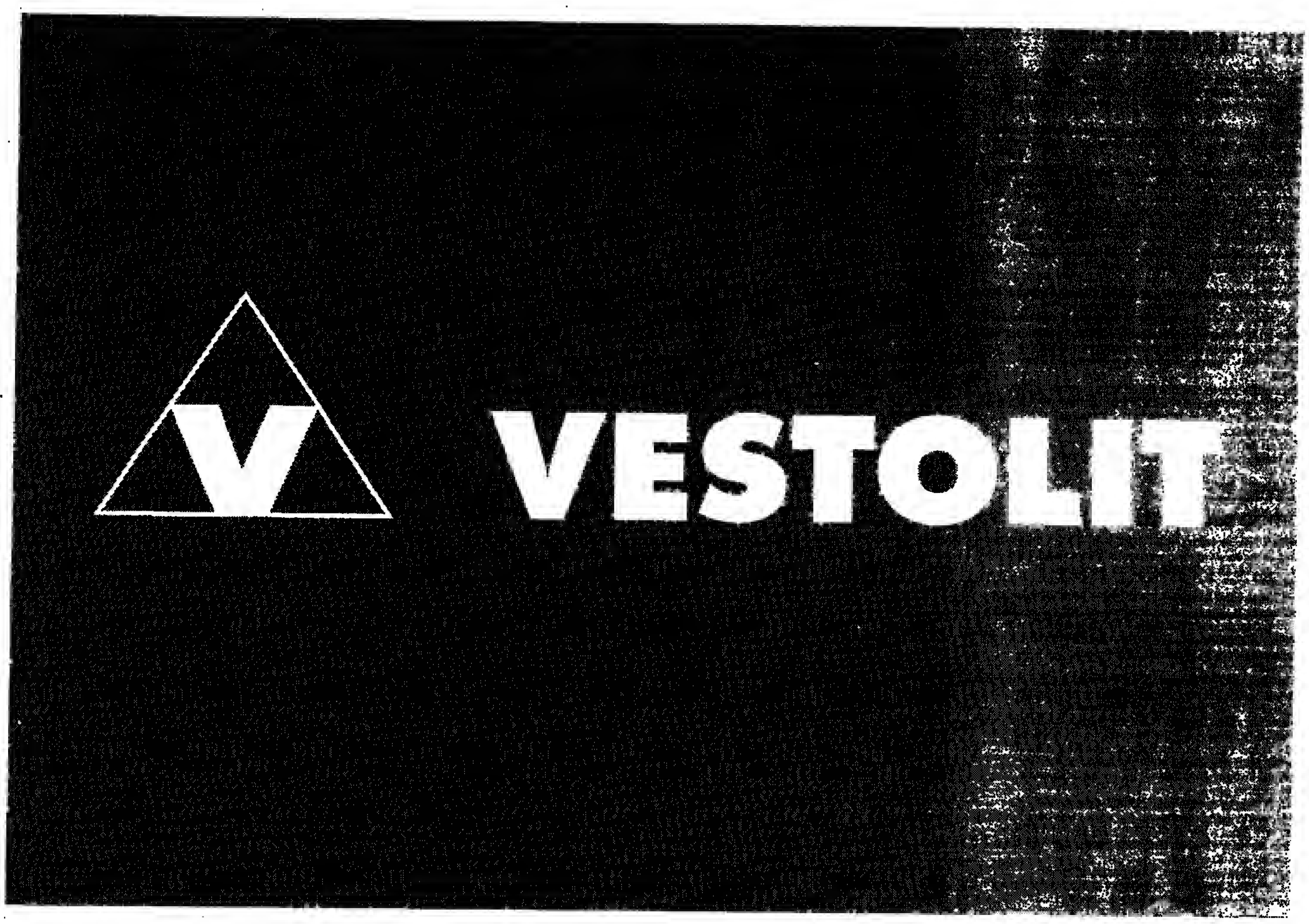

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Mrs Mandela admits things had gone 'horribly wrong' ☐ Stompie's mother in emotional embrace

Winnie makes stern denial of accusations

By Roger Matthews in Johannesburg

Winnie Madikizela-Mandela, former wife of South Africa's president and a heroine of the struggle against apartheid, yesterday flatly denied being involved in the murders, beatings and kidnappings of which she has been accused. She frequently described as "ludicrous", "nonsense", and a "pack of lies" evidence brought against her during the previous eight days of hearings in Johannesburg conducted by the Truth and Reconciliation Commission.

But after an emotional appeal from Archbishop Desmond Tutu, chairman of the commission, Mrs Mandela admitted things had gone "horribly wrong" and she apologised to the families of victims for what had happened. She was responding to the archbishop's statement that he still loved and embraced her, and he believed she was a great person, an incredible inspiration, and would enhance her greatness if she would simply say "I am sorry for my part in what went horribly wrong".

The presence in the audience of five cabinet ministers and other senior members of the ruling African National Congress underlined the political importance of the proceedings, and the impact Mrs Mandela's testimony may have on her bid to be elected deputy president of the party later this month.

The Truth Commission is investigating the gross human rights abuses of the apartheid years, has the power to grant amnesty, but makes no findings as to guilt. Mrs Mandela is not seeking amnesty and challenged anyone who did not believe her evidence to bring her before a court of law.

The hearing into the alleged abuses carried out by Mrs Mandela in her capacity as leader of the youths who formed the "Mandela United football club" in Soweto during the late 1980s has been by far the longest, and sometimes the most tense, carried out by the commission. The most immediate political judgment on Mrs Mandela's performance will come in two weeks when the ANC conference bids farewell to President Nelson Mandela, and chooses a new leader and deputy.

Mrs Mandela's refusal to accept any responsibility for crimes carried out by the "club" members who lived at the back of her Soweto house survived intense questioning which lasted more than eight hours. Several times Archbishop Tutu had to ask counsel to be less hostile, and congratulated Mrs Mandela on conducting herself with dignity. Other commission members said they admired the way Mrs Mandela had made herself available for questioning in a way other leaders had not.

At one point Archbishop Tutu asked the families of the victims to come forward, and in an emotional moment Mrs Mandela was kissed and embraced by the mother of Stompie Seipei, the 14-year-old hoy whom one witness accused Mrs Mandela of stabbing to death. Mrs Mandela was several years ago found guilty of kidnapping the boy, along with three others, from a Methodist mission in Soweto, a conviction she still disputes.

The main thrust of Mrs Mandela's evidence was that when requested during a prison visit to her husband, Nelson Mandela, to disband her "football club" because of mounting concerns over its activities, she obeyed. What the members of that club did subsequently was not her responsibility, she claimed.

Winnie Mandela: denies accusations

NEWS DIGEST

Annan confident on landmines

About 125 nations were expected to have signed an international treaty banning anti-personnel landmines during a two-day signing ceremony in Ottawa that ended last night.

Many of the treaty signatories also promised to provide funds to clear the world's 110m mines and rehabilitate victims.

Though the biggest military powers – the US, Russia and China – declined to sign the treaty, Kofi Annan, UN secretary-general, said in Ottawa he was confident it would provide the impetus for a universal ban. Washington will resume its attempt to negotiate a landmine pact in the Geneva-based UN disarmament conference, which also includes Russia and China, when the 61-member conference reconvenes in January.

The US no longer exports mines and Russia and China have stopped exports of undetectable mines.

Countries in Ottawa have already pledged millions of dollars in funding for demining and rehabilitation, going some way towards Washington's announced goal of raising $1bn a year to clear the world's minefields by 2010.

Rehabilitation of victims could cost another $300m annually, according to Cornelio Sommaruga, president of the International Committee of the Red Cross.

Landmines dotted around some 70 countries kill or maim an estimated 26,000 people, mostly civilians, each year. *Frances Williams, Geneva*

■ ISRAELI DISPUTE

Public sector strike continues

Benjamin Netanyahu, Israel's prime minister, yesterday failed to persuade public sector workers to end a second day of strikes in a dispute that has paralysed the economy.

Mr Netanyahu held talks with Amir Peretz, leader of the Histadrut labour federation, before leaving for Bonn, where today he will hold talks with Helmut Kohl, the German chancellor. Mr Netanyahu is scheduled to meet Madeleine Albright, US secretary of state, in Paris tomorrow.

The Histadrut said its members would not be returning to work, defying a court order which instructed 700,000 employees to end the strike on Wednesday.

Yesterday the airports, railways, banks, ministries and state-run utilities remained closed as workers demanded that Yaakov Neeman, the finance minister, reinstate a pension plan negotiated with the union under the previous Labour government and consult them on privatisation plans.

According to the Manufacturers' Association, the umbrella for Israeli industry, the strike was costing its members $40m a day while El Al, the national airline, which recently climbed back into profit, said the strike was costing it $3m a day.

Agricultural producers, who normally reap pre-Christmas shopping in Europe, said it had 2,500 tonnes of avocados waiting to be shipped. *Judy Dempsey, Jerusalem*

■ ARMS INSPECTIONS

UK and US warn Baghdad

Britain and the US yesterday warned Baghdad that they remained prepared to use military force if Iraq did not bow to United Nations demands for unrestricted arms inspections.

George Robertson, UK defence secretary, and William Cohen, US defence secretary, told reporters following talks that they hoped diplomatic pressure would succeed but that the two countries remained firm in their determination to halt Iraqi attempts to produce chemical and biological weapons.

"The clear message for the people of this country and indeed for the whole world is that this crisis is not over," Mr Robertson said of Iraq's refusal to allow inspections of certain presidential palaces and other facilities in Iraq. *Reuters, London*

Swiss tell banks to reopen Mobutu probe

By Jimmy Burns in London, Michael Holman in Brussels and Michela Wrong in Nairobi

The Swiss government is pressing six Geneva-based banks to re-examine suspect accounts after the new government of Congo, formerly Zaire, suggested larger sums may have been deposited by the late President Mobutu Sese Seko and his aides than originally believed.

The Swiss government has ordered the banks, already suspected of having held accounts on behalf of Mr Mobutu, to give further information. "It is possible that the banks got it wrong and the information we got was inaccurate," Falco Galli, Swiss federal police spokesman, said.

Earlier information provided to the Swiss government, which blocked all suspect Mobutu accounts in May, puts at SFr6m ($4.2m) the amount of cash deposited.

Meanwhile, donors attending a meeting in Brussels on the reconstruction of Congo agreed in principle yesterday to establish a trust fund as the first step in the country's recovery programme. Support for the fund was expected to be limited by donor concern over allegations of human rights abuses.

The conference, chaired by the World Bank, is being attended by delegates from 16 governments and 10 international organisations.

Although Bank officials had emphasised that the conference was not a pledging session, they were nevertheless hoping for contributions to what would be a World Bank-administered trust fund for a $4bn three-year recovery programme.

Support for the scheme is mixed. The European Union, which is the largest potential donor with Ecu150m ($168m) earmarked for Congo, has been highly critical of the human rights record of Laurent Kabila, the country's new president. It is unlikely to contribute to the fund and will instead channel part of its aid towards a health programme administered by non-governmental organisations.

The new Congo government has been co-operating with the Swiss on the issue of deposits. Its Office des Bien Mal Acquis (Office for Ill-Gotten Gains) provided additional information to the Swiss under a mutual legal assistance arrangement.

The OBMA's head, Jean-Babtiste Mulemba, said: "It is very difficult to know exactly how much there is abroad, but none of the countries give figures we find credible. When they give an estimate of millions of dollars we believe that billions are more likely."

Working with European and American lawyers the OBMA has been locating bank accounts, shareholdings, companies, and properties Mobutu established with family and close aides.

Switzerland and Belgium are the only western countries to have frozen Mobutu-linked assets. Switzerland has blocked the sale of a luxury villa overlooking Lake Geneva. Belgium is sending a team of police and lawyers to Kinshasa on Sunday to help the local government in their assets trace.

Mr Mulemba said that France, Mobutu's most faithful ally, "has not been co-operative" and had not as yet taken action against his properties in the country, or against bank accounts allegedly held in his name or that of his coterie.

Japan attacked as climate deal nears

By Leyla Boulton, Environment Correspondent, in Kyoto

A package deal to combat climate change emerged behind closed doors yesterday as the European Union launched a fierce attack on Japan's performance as host to the 160-nation talks.

Pierre Gramegna, representing Luxembourg in its role as president of the European Union, accused Japan of departing from its proper role as host by leading "an offensive" against the so-called EU "bubble".

This is the EU's plan to allow its 15 member states individually tailored targets for curbing greenhouse emissions while insisting that all other industrialised nations agree a flat-rate cut.

"We can't understand that the host country is leading this offensive because we think the host country should act as a broker," Mr Gramegna, Luxembourg's ambassador to Japan, told a news conference.

He was responding to a Japanese proposal that the EU should agree a heavier cut than non-EU nations to reflect the advantages conferred by the bubble.

This would allow Portugal a 40 per cent increase while Germany took a 25 per cent cut. Japan yesterday hit out at the EU approach as unfair.

But despite the public exchange of insults, negotiators said they were optimistic a deal would be concluded by ministers, who will take over the talks on Monday.

"There is a lot more co-operation than apparent to our friends from the Fourth Estate," said Mark Hambley, a top US negotiator, referring to the media.

Toshiaki Tanabe, Japan's senior negotiator, meanwhile played down the EU attack as nothing more than an attempt to "win the sympathy" of public opinion as negotiators meeting mostly behind closed doors got down to hard bargaining.

"Now everybody knows to what extent each side can come closer," he said. "The only solution is a package deal where everybody compromises."

He declined to give details which he said would depend on final horse-trading by ministers.

But it became apparent from various sources yesterday that a deal is likely to comprise the following elements:

■ Differentiated targets for all industrialised nations despite EU insistence in public on a one-size-fits-all cut for non-EU countries. This is the price the EU is likely to have to pay to keep its bubble in place.

■ Some degree of trading in emissions of greenhouse gases, which is a key US demand. The EU has expressed fears the US might try to meet any obligations largely by purchasing emissions from the Russian Federation. But Jorgen Hennigsen, senior European Commission negotiator, said yesterday progress had been considerable in "understanding how trading and joint implementation" could be incorporated into a deal.

■ A Clean Development Fund to help transfer to developing countries more energy-efficient technology for cutting emissions. Brazil had proposed this be funded by fines for developed countries that failed to achieve their legally binding commitments, but this is now more likely to be financed by the private sector under an accord allowing industrialised countries to meet part of their target by cutting emissions further afield.

Industry lobbies play a spoiling game

They all wear green badges, but their politics do not always match the conference identity tags, write Bethan Hutton and Leyla Boulton.

The climate change conference in Kyoto is swarming with lobbyists, representing all viewpoints, who accuse each other of bad science, bad economics and distortion.

One of the largest non-governmental organisations at Kyoto is the Global Climate Coalition (GCC), a US group which represents the oil, coal and car industries.

GCC was yesterday awarded the "Scorched Earth" trophy by Friends of the Earth, after a public vote on which group had tried the hardest to derail the talks with "spurious scientific analysis and claims". Exxon, the US oil company, which also belongs to the GCC, was voted second.

It is campaigns by the GCC and similar groups which have held the US government back from proposing substantial cuts in greenhouse gas emissions.

Green groups – and some country delegates – are particularly outraged at Exxon, which they say has been pressing the US government to demand commitments on emissions from developing countries, while at the same time advising those countries to refuse to make commitments.

According to Jeremy Leggett, an Oxford scientist, who has followed the climate change debate since it started in 1990, the lobbyists he calls the "carbon club" have taken talk of emissions cuts as a serious threat from the outset. He calls their actions since then "a new form of crime against humanity".

Environmentalists were so sure of their arguments that they have lagged behind in hard lobbying of the decision makers. They also lack the financial clout of the industry lobby, which has spent $13m in the US over the last two months alone on advertisements attacking the Kyoto conference.

Insurers call for emission curbs

By Christopher Adams and Leyla Boulton

Climate change could be a deceptively pleasant experience at first, with many experiencing long, hot summers of the sort occurring only once a century. But the cost of natural disasters is expected to rise sharply.

The world's biggest insurance companies, concerned they will bear the brunt, will urge world leaders in Kyoto today to agree international curbs on greenhouse gases.

In a joint statement with the United Nations Environment Programme (Unep), a group of 35 insurers from Europe and Japan will express support for a market-based approach to imposing limits, where countries could trade their carbon emissions allowances.

The report will recommend businesses take urgent action. "Climate change will have a big effect on some industries and you have to plan for it," says Andrew Dlugolecki, assistant general manager of General Accident, the UK insurer.

Insurance companies believe global warming is already altering weather patterns. Natural disasters, mainly windstorms and flooding, have increased more than fourfold during the past 20 years, says Munich Re, the world's biggest reinsurer.

From 1987 to 1993, 16 catastrophes occurred, costing more than $1bn each, resulting in insured losses worldwide of more than $50bn. Of those, 85 per cent were due to windstorms and 15 per cent to earthquakes, oil spills and fire.

Even small shifts in storm patterns can cause a big rise in property damage. Computer simulations show that if the strength of a hurricane rises by 10 per cent, a 150 per cent increase in damage can occur, says Mr Dlugolecki.

The cost of natural disasters has risen with the concentration of wealth in the world's most developed cities. A hurricane hitting Miami tomorrow could cause damage totalling $100bn.

Beyond recommending that limits be imposed on carbon emissions, the insurers say investment managers should help develop environmental reporting standards to be used "alongside benchmarks for profitability and security. It also says that the capital resources of both the public and private sector should aim to promote "alternative energy generation and use".

Insurance companies manage nearly a third of investments in global stock markets.

US insurers have yet to express strong support for curbing emissions. The Reinsurance Association of America says some of its members fear they could be held legally responsible for signing the UNEP document.

Onslaught on coal blunted by growth in Asian demand

Coal-burning produces 23% of carbon emissions

Climate change

If ministers who gather in Kyoto next week to discuss climate change heed the cries of environmentalists they will shut down the world's coal industry.

Coal offends the "green" mind on many levels. Opencast mining despoils the physical environment, altering the landscape and affecting the water table. But more importantly the burning of coal generates some 23 per cent of world carbon emissions.

Carbon dioxide (CO_2) is the principal greenhouse gas. Environmentalists say that if man-made production of this gas is left unchecked, large-scale and harmful changes will be caused to the world's climate during the next century.

Greenpeace, the environmental lobby group, argues that failure to cut emissions of greenhouse gases risks "severe ecological impacts and climate instability" in the future.

It wants an immediate phasing out of coal mining and coal's use in electricity generation. It also wants the subsidies which coal receives in some countries transferred to renewable energy projects. Coal, however, is a vital source of energy, and one not easily replaced by alternatives if current living standards are to be maintained.

It accounts for 27 per cent of total world energy consumption and it is the single largest source of primary energy for the production of electricity.

In 1995 coal produced 37 per cent of the world's electricity, compared with 21 per cent for hydro power, 17 per cent for nuclear and 16 per cent for gas.

And coal is set to become an even more popular source of energy for electricity generation, especially in the Asia-Pacific area, the world's fastest growing region.

Among countries of the Asia Pacific Economic Co-operation (Apec) forum electricity generated by coal has risen from 24 per cent of total output in 1980 to 40 per cent in 1994 and is projected to rise to 50 per cent by 2010.

Replacing coal by renewable energy would take time and may not even be desirable for those concerned to preserve the countryside. For example, wind power accounts for only 0.34 per cent of electrical capacity in the economies that comprise the Organisation for Economic Co-operation and Development (OECD).

As Chris Cragg points out in the November issue of Energy Economist, if wind power were to replace even a quarter of Britain's current electrical generation it would use 58 times as much land than is currently devoted to it.

Similarly with solar power. If all of western Europe's most prospective solar energy sites were utilised (3,530 sq km of south-facing fronts) they could generate only 16.3 per cent of the area's electricity.

In the run-up to the Kyoto conference, the coal industry found itself in an uncomfortable position. Though sceptical of the science underpinning predictions of climate change, it accepts that emission from coal-fired power stations have to be reduced. At the same time it is resisting moves to penalise rich countries by insisting that any solution to global warming has to be global.

Simply targeting the so-called "Annex 1" countries (OECD, former Soviet Union and eastern bloc countries) ignores where the growth in the use of coal is taking place – Asia.

Most of the projected 550m tonne growth in world consumption of coal to 4.6bn tonnes by 2010 will come from increased usage in Asia, mainly in China.

"The problem with Kyoto is that it is offering a non-global solution to achieve a global ambition; that just doesn't make sense," says Ron Knapp, chief executive of the World Coal Institute, the industry's London-based lobby.

Mr Knapp says the coal industry favours policies which seek a "co-operative and voluntary rather than a command and control approach". This is because "we don't have a solution to replacing the large fossil fuel base that supports the world economy," he says.

But environmentalists dispute this. Greenpeace says there is huge potential for renewable energy. "What is lacking is the political and industrial will to develop it," a spokesman says.

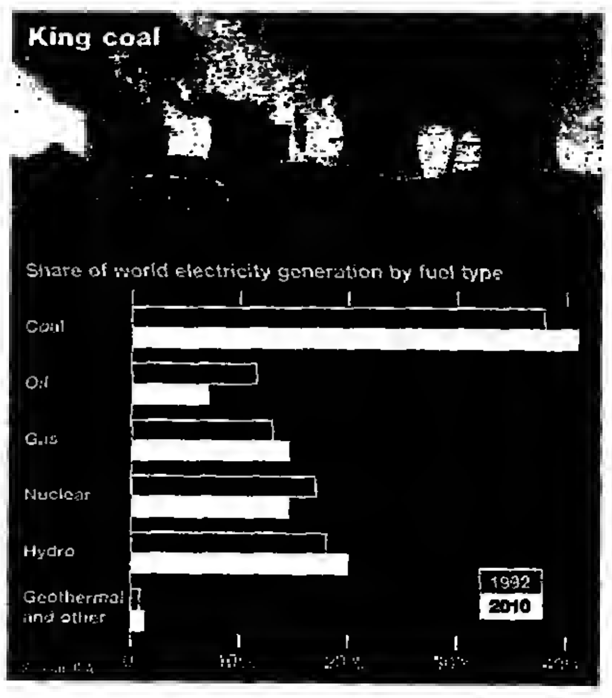
The environmental lobby agrees, however, that the use of coal will have to be phased out over time, but it can be done. Denmark has committed itself to supplying 40 per cent of its electricity needs by offshore wind farms.

"We haven't even started to tap the resource offshore for wind power," Greenpeace says.

Simon Holberton

This is the fourth in a series of articles on issues related to climate change negotiations at the Kyoto conference in Japan.

See feature, UK Page



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FINANCIAL TIMES
Diaries

Writ from Tiny Rowland says Harrods owner offered $16m to lie to MPs

Fayed accused of bribery attempt

By John Mason, Law Courts Correspondent

The long feud between Tiny Rowland, the former Lonrho chairman, and Mohammed Fayed, owner of the Harrods store in London, took a new and vitriolic turn yesterday when it emerged that Mr Rowland had accused Mr Fayed of offering him a £10m ($16.7m) bribe to lie to a Parliamentary committee.

According to writs filed in the High Courtin London, Mr Rowland claimed Mr Fayed had offered the bribe if Mr Rowland lied to support the Harrods owner's bribsry allegations against Michael Howard, the shadow foreign secretary.

The writs also claim that Mr Fayed offered to return to Mr Rowland potentially damaging documents taken from his safety deposit box at Harrods' bank to apply additional pressure on him to lie to the House of Commons standards and privileges committee.

The allegations were "categorically" denied by Michael Rogers, Harrods legal director. "We are satisfied that we will be able to prove in court that they are false and malicious and that it is Mr Rowland himself who has the proven track record of bribery and corruption," he said.

Mr Fayed bas claimed Mr Howard, when a middle-ranking trade ministsr, accepted a £1.5m bribe to launch the Department of Trade and Industry investigation into the takeover of House of Fraser. However, in March this year, Sir Gordon Downey, the Parliamentary Commissioner for Standards, cleared Mr Howard of the allegations, saying there were no grounds for them.

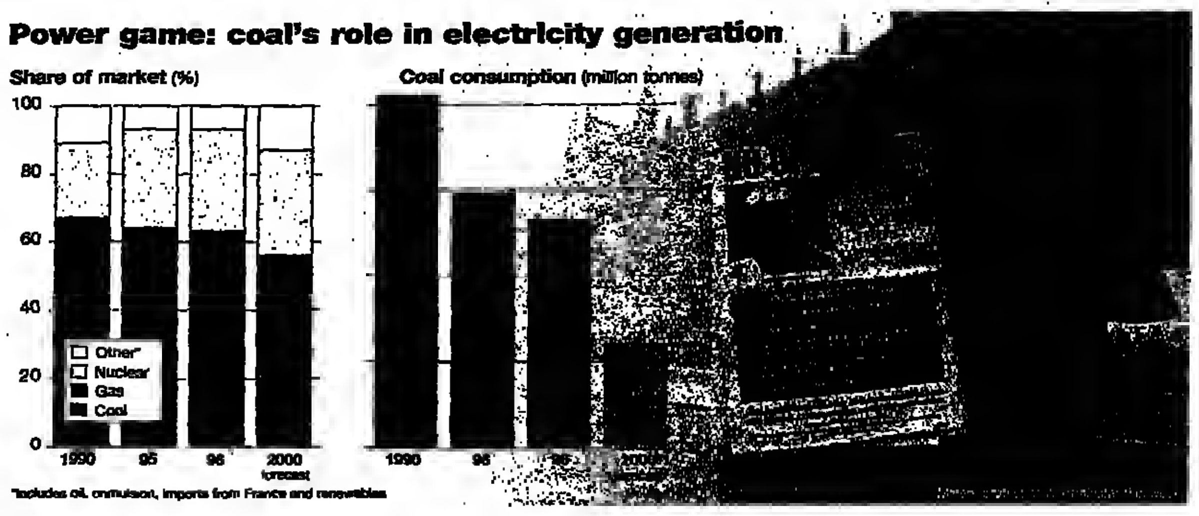
The writs state that, before the alleged opening of the deposit box in December 1995, Mr Fayed had written to Mr Rowland to persuade him to lie to the committee.

In March last year, the two men had lunch at Harrods. Mr Rowland claims that Mr Fayed showed him a brown envelope supposed to contain material damaging to Mr Rowland. Mr Fayed then also offered him £10m and ownership of Turnbull & Asser, the up-market sbirtmakera, the writ alleges.

Mr Rowland stated he resisted the blackmail attempts. He is now seeking damages, return of any property in Mr Fayed's possesssioo and an injunction preventing unauthorised copying of material.

Mr Rogers said Harrods would not comment ahead of the court case. But be said Mr Fayed did not own or control Turnbull & Asser in March last year and has not done since. "He would not therefore have been in a position to offer it to Mr Rowlaod or indeed anyone else", he said.

Curbing gas-fired power will not save coal



The government's ban on new gas-fired power stations will not save the coal industry. The reality was spelled ont in evidence from the government'a trade and industry department to the industry committee of the House of Commons on Wednesday.

The department thinks the UK coal industry's market will halve by 2000 while gas and nuclear power will gain a bigger share of electricity supply.

The government should welcome this development. Its election manifesto promised a cleaner environment and an energy policy based on "secure, diverse and sustainable" supplies of primary fuels. This is precisely what the changing fuel mix will offer.

To put a brake on applications for further gas stations, Mr John Battle, the energy minister, used the reservations of National Grid – which operates the high voltage transmission system in England and Wales – about future system security. But not even National Crid's reservations imply a cessation of gas station building.

Although the long term outlook for coal is bleak, it is bleakest for RJB Mining, the UK's biggest mining company.

The actual market for the type of coal used by power stations will hold up quite well in 1998-99 compared with this year, but RJB has failed to secure enough orders. The company will sell 30m tonnes this year, but looks likely to secure orders for only 20m tonnes next year. The market is dne to contract further in subsequent years.

As Richard Budge, the company's chief executive, told MPs on Wednesday, RJB cannot compete against other UK coal producers and cheap imported coal. Indeed, up to 7m tonnes of its 10m tonne shortfall have been won by other UK producers.

As the events of Wednesday underlined, past allegiance to coalminers and the industry for which they work still exerts a powerful pull on Labour ministers.

Mr Battle made great play of his initiatives "to level the playing field".

In the past the terrain has been skewed against coal. Regional electricity companies were allowed to sign long-term contracts with gas-fired power stations for a fuel that has subsequently become more expensive than coal – and has resulted in higher household bills than would have been the case if coal were used. Nuclear power – which has pushed a lot of coal fired power stations of the system – used to benefit from direct subsidies.

Mr Battle and the government's electricity regulator have done much to remove these distortions. But gas will remain the generators' preferred fuel.

The current generation of gas-fired power stations convert 55 per cent of their primary energy into electricity. The best coal-fired plants convert 38 per cent of their primary energy into power.

Gas-fired stations are also cheaper to run and emit fewer pollutants than coal fired stations.

Simon Holberton

See Editorial Comment

European deals could save pits

RJB Mining is negotiating with power stations in Germany and Spain to export up to 8m tonnes of coal in a move that could avert the closure of some of the eight English mines under threat. The UK government has lobbied the German and Spanish governments over the subsidies they pay to keep miners in work. UK government figures suggest German prodnction costs are about three times those in the UK, while in Spain they are nearly nine times as high. A European Commission probe has found that German coal subsidies secure the survival of companies receiving them.

Northern Ireland talks edge closer to accord

By John Murray Brown and John Kampfner in Dublin

The Northern Ireland peace talks are being shunted slowly towards a settlement oext year. For the first time, the governments are daring to be optimistic that a deal acceptable to both unionist and nationalist communities can be struck uear to next May – the deadline set by Tony Blair, the UK prime minister. Neither side is too fixated about an actual date.

Pivotal to progress is the relationship between Bertie Ahern, prime minister of the Republic of Ireland, and David Trimbla, leader of the Ulster Unionist party, the largest pro-British party in the region. That link got off to a flying start last month with their first meeting since the Irish election. Not easily pleased, Mr Trimble emerged positively beaming from that first encounter.

What did Mr Ahern say to so charm him? "David Trimble asked 'are we interested in conflict or are we interested in lasting peace?'. I told him we're interested in trying to live on this island by agreement," said Mr Ahern. He then outlined three reasons why a deal was in Mr Trimble's interests – a new parliament and government for the north, a oew Anglo-Irish agreement and "peace and harmony" on the whole island.

Since then an obstacle appeared when David Andrews, the newly-appointed foreign minister and head of the Irish government delegation at the talks, described the proposed north-sonth cross-border body – intended to co-ordinate between Dublin and the new administration in Belfast – as a "government".

Mr Trimble hurled opprobrium at Mr Andrews, seeing in his remarks confirmation of unionist fears that, deep down, the sonthern Irish still wanted to take over the north.

Mr Ahern repudiated his minister's comments and has since tried to clarify exactly what kind of pan-Irish role Dublin sees for itself. "We're not talking about a powerful and independent secretariat, free from direct political role enacting autonomously like the European Commission. Any secretariat will act at all times only on instructions of the two administrations," he says.

It is all part, Mr Ahern explains, of a "balanced accommodation". The template has already been set, but the final details will require careful calibration. If the Irish view prevails, both governments would agree, in effect, to leave Northern Ireland's "Britishness" unstated. Articles Two and Three of the republic's 1937 constitution – drawn up under Eamon de Valera 16 years after partition but 32 years before the start of the "troubles" in the north – would be revised.

No longer would any Irish claim to the territory of the north be explicit. Instead, the posaible wording, according to Mr Ahern, might leave intact the definition of the Irish nation being the island of Ireland. At the sama time, it could acknowledge the separate status of Northern Ireland, although it would fall short of recognising it as an integral part of the UK.

Mr Aheru said be "assumed" Mr Trimble would be head of a uew administration for Ulster. Whether the title should be prime minister, or first minister as is planned for the new devolved executive in Scotland, was "a matter for the parties" at the talks.

UK NEWS DIGEST

Royal Opera chairman quits

Lord Chadlington, the embattled chairman of London's Royal Opera House, resigned yesterday. His eight fellow trustees offered to quit immediately, but will remain under Sir James Spooner, deputy chairman, until a new board can be formed. The resignations are a speedy response to the demand by the House of Commons culture committee for the resignation of Lord Chadlington, the board and Mary Allen, the chief executive. Ms Allen is holding firm and yesterday Lord Chadlington and the board said they were "unanimous in their support for the existing management and staff".

Lord Chadlington added: "The time has come for a major change. It's right that I should go, and right for the board to go. There should be a totally new board, operating with real transparency, independent trustees representing no sectional interests."

The new board is being formed on the advice of Chris Smith, chief culture minister, who is ultimately responsible for the Royal Opera's £15m ($25m) annual state subsidy, administered by the Arts Coimcil. "I intend to discuss urgently with the board and the Arts Council how to ensure that the transition to the new board proceeds in an orderly way," he said. *Antony Thorncroft*

■ TELECOMMUNICATIONS GROWTH

Internet provider awarded licence

Easynet Group, a small, AIM-listed company, yesterday claimed to be the first UK independent internet service provider to be awarded a full public telecommunications operator's licence. It will enable the group to provide services such as personal numbering and pre-paid access, together with the right to complete call connections on its own network. These are currently the sole prerogative of licensed operators. The broader implication of the award is a further blurring of the distinction between telecoms operators offering chiefly voice calls and internet service providers managing data traffic over the operators' lines.

It had been anticipated that operators such as British Telecommunications, WorldCom and AT&T would eventually take control of the internet from service providers. The Easynet move suggests service providers will fight back by becoming operators in their own right. Easynet is spending about £1.8m over two years with GPT, the UK's biggest telecoms equipment manufacturer, for the telecoms switching equipment and intelligent networking systems to run advanced services. *Alan Cane*

■ STERLING STRENGTH

Employers attack 'macho' policy

Graham Mackenzie, director-general of the Engineering Employers' Federation, said yesterday that the Treasury was "not listening enough" to industry about the damage the strong pound – at close to DM3.00 – was doing to UK manufacturers. He said Gordon Brown, the chancellor of the exchequer, was guilty of a "macho" approach to policymaking, leaving the Bank of England, the UK central bank, to raise interest rates to combat economic overheating rather than using tax rises on consumers.

According to the federation, the high pound is "making life increasingly difficult" for much of the engineering industry, by making exports more expensive and increasing competition through cheaper imports. The sector has total annual sales of £160bn ($267.2bn) and a workforce of 1.7m. Mr Mackenzie is to meet Mr Brown on December 17 to present a report on how the federation's 5,000 members view European monetary union. His will also press home the industry's concerns about the pound. *Peter Marsh*

■ CAR SALES

Competition spurs 12.5% increase

Sales of new cars in the UK last month were 12.5 per cent higher than in November last year, industry officials said yesterday there were no special factors. Demand appeared to have been stimulated by competition between more than 50 companies jostling for sales in one of Europe's most open markets. The November rise has lifted the market to well over 2m with December's sales still to go, according to the Society of Motor Manufacturers and Traders. The SMMT's statistics show registrations for the first 11 months of this year at 2,086,091, a 7.1 per cent increase on the same period of 1996. *John Griffiths*

■ ENERGY SUPPLIES

Ford plant to have solar generator

Ford is building Europe's biggest factory solar power generator at its engine plant in Bridgend, south Wales. The £1.5m ($2.5m) installation, funded jointly with ths European Union and the UK Department of Trade and Industry, will cover 2,250 sq m – nearly a tenth of the factory's area. The project will generate enough power to provide all the lighting for the site, which employs 1,300 workers and operates continuously throughout the year. The installation includes 26 solar units containing more than 1,500 photovoltaic cells. *Juliette Jowit, Cardiff*

■ ECONOMY

Interest rates remain unchanged

The Bank of England, the UK central bank, left interest rates on hold yesterday, as the Confederation of British Industry, the biggest employers' lobby, reported that spending in the shops was much lower last month than retailers expected. The monetary policy committee's decision to leave the Bank's repo rate at 7.25 per cent came as no surprise. But many analysts believe that retes will rise again early in 1998. Alastair Eperon, chairman of the CBI's distributive trades survey panel, expressed a "very firm view" that rates should not rise before Christmas. But the CBI does expect interest rates to rise a further quarter-point in the next few months, before edging down later next year.

The CBI'a latest distributive trades survey showed that 48 per cent of retailers saw sales volumes increase in the year to November, compared to 25 per cent reporting a decline. The net balance of 23 per cent recording an increase was well below the 39 per cent that had expected an increase a month earlier. *Robert Chote*

Brussels threatens legal move on beef blockades

Financial Times Reporters in London and Brussels

Brussels will take legal action against the UK if farmers' blockades continue to damage cross-border trade, Neil Kinnock, the EU transport commissioner, said yesterday.

The blockades by British farmers against beef from the Republic of Ireland were condemned yesterday by Jack Cunningham, the UK agriculture minister, after he met Jos Walsh, the Irish farm minister. Mr Cunningham said: "Farmers are oot above the law."

The UK cabinet discussed beef at a routine meeting yesterday after blockades of ports in Wales and southern Scotland this week by farmers protesting against imports of beef from Ireland and elsewhere. Prices have fallen to a 20-year low. They usually rise before Christmas as demand increases. The prime minister's official spokesman said the cabinet recognised that farmers were facing very difficult times. "We need to keep in touch with them to see what we could do to mitigate the effects," he said.

On the blockade of Irish imports, he said: "Ths Irish government has been one of the strongest supporters in Europe in our efforts to get the beef ban lifted. It doesn't help that they are having difficulties getting their beef through our ports."

Last night, UK farmers' leaders met John Donelly, president of the Irish Farmers' Association, to discuss how they could work together to resolve the problem. Richard MacDooald, director general of the National Farmers' Union of England and Wales, said: "We fully understand we are causing them a lot of difficulties, but we oeed their help to remedy it. They have an interest to try and restore normal trading".

Butchers in Britain yesterday reported panic buying among consumsrs anxious to purchass ribs and T-bone steaks before the government's ban on sales of meat on the bone came into effect. Mr Cunningham said on Wednesday that the latest scientific information showed that "mad cow disease" might be transmitted through beef bones.

Mr MacDonald said: "We were very, very worried [on Wednesday] that consumer reaction would be terrible. I'm crossing my fingers, but the first anecdotal evidence is oot too bad."

Ron Davies and Donald Dewar, chief ministers respectively for Wales and Scotland, were among those at yesterday's cabinet meeting who warned about the situation facing farmers.

Mr Cunningham said in the House of Commons later: "We are discussing how, or whether, we will be abls to announce extra support for them [hill farmers]."

Mr Cunningham took a harder line on Wednesday, saying the government was already giving the industry £1.5bn in support this year.

Top scientists lead committee

The Spongiform Encephalopathy Advisory Committee is a group of scientists who advise ministers, our Science Editor writes. The four most influential members are:

- Professor John Pattison, the chairman and dean of the medical school at University College, London, and a microbiologist. He says the UK will bave to wait a few more years to discover whether it faces a bealth calamity through a CJD epidemic cansed by BSE.
- Robert Will, deputy chairman, and a consultant neurologist and director of the National CJD Surveillance Unit in Edinhurgh, Scotland.
- Peter Smith, an epidemiologist at the London School of Hygiene and Tropical Medicine. He was appointed in September to chair a subgroup to Seac thet will monitor any emerging CJD epidemic.
- John Collinge, who runs the prion disease group at St Mary's Hospital medical school in London.

Wallpaper manufacturer owned by KKR wins NatWest-Financial Times Export Excellence Awards

Currency risk changes help Borden to victory

By Ian Hamilton Fazey in Manchester

Borden Decorative Products, the world's biggest wallpaper manufacturer, was yesterday named winner of the NatWest-Financial Times Export Excellence Awards in one of the tightest competitions in the five years of the event.

Borden came second last year but had remedied faults found by judges in on-site audits of its export management. Cblef improvement was a change from defensive to proactive currency risk management. This enabled Bordeo to use currency fluctuations and hedging to compete better against German rivals in eastern Europe, despite the strong pound.

The company was formed out of Crown'e wallcoverings divisioo, which used to be part of Reed International, then Williams Holdings, and Storeys, which used to be part of T&N. The current owner is KKR, the New York finance house, which is planning to sell an 88 per cent stake to Blackstone, another US investment company, and form a wallpaper giant with Imperial, the US's current joint market leader with Borden.

The excelleoce awards competition was designed by Mr Ian Campbell, director-general of the Institute of Export, who chairs the judges. Companies are judged on the quality of their management, to enable small companies to compete fairly with giants. Borden will earn about £70m ($116.9m) – 60 per cent of its turnover – from exports this year, while the smallest finalist, UNECIA, will earn only £3m.

UNECIA, a consultancy agency owned by 10 northern England universities, supplies consultants for edncation and training, environmental projects, health and social and economic development. Most are from the universities, which receive their fees and a dividend on profits.

The most spectacularly growing finalist was Fresh Catch of Peterhead in Scotland. It has donbled its turnover to £16m in the past two years and exports 80 per cent of its ontput of fish to customers as far away as China and Australia.

The fourth finalist was Alpha Laboratories of Eastleigh, in southern England, which exports about a fifth of its £5m turnover, specialising in equipment for the biotechnology market.

The newcomers' award – which is for companies with less than three years' exporting experience – went to Crocodile Clips, an Edinburgh software developer which has designed a multimedia aid for teaching electricity and electronice. Ths French government bought it for all its schools, sales are increasing rapidly in Germany and the US, and a Spanish version is in preparation.

The awards are sponsored by the FT and NatWest. The other judges were Mr Harry Twells, of the Export Troubleshooting Consultancy and an FT Exporter columnist, Mr Dick Watt, of Trade Indemnity, the credit insurance group, and Mr Brian Parry, of KPMG, the accountants.

Big, bright technique: Jeroen Hofmans as Romeo in Andre Prokovsky's new, skilfully edited version for the Royal Ballet of Flanders

Sure steps of doomed lovers

Clement Crisp reviews 'Romeo and Juliet' in the Hague

Ungrateful though it may seem, I find Prokofiev's score for *Romeo and Juliet* does go on. And choreographers, daunted by the very Idea of using this music, go along with its garrulities. Hence the interminable crowd scenes, the rampagings of Lady Capulat (like a provincial Clytemnestra), the repeated clash of rapiers. All of which, of course, provides a setting for the young lovers' tragedy – but so much so that there is sometimes more setting than jewel.

Hence my cheers for Andre Prokovsky in his new, lean, and skilfully edited version of *Romeo* for the Royal Ballet of Flanders. Prokovsky has made his version in two acts. The first part uses most of Prokofiev's first act, ending with the balcony duet. In Act 2 he elides much of the remaining action and music, and only towards the end of the evening did I feel that the ballet was on a helter-skelter, whizzing the lovers to their doom.

Not that the prodnction seems harried by editorial decision. Tha tragedy is true, and Prokovsky – everywhere sure in his command of the classical idiom and able to give emotion its head – has chosen to cast it in a form both allusive and succinct. In this he is helped by Robin Don'a admirable design: a permanent set of grey, marbled panels which can be street and sqnare, garden, bedroom and ballroom. (The Capulets, by the art-historical way, were among the earliest owners of Uccello's *Hunt by Night*, which hangs in the ball-room to fine effect). Costuming by Alexandre Vassiliev, is bright, very well-considered.

The Prokovsky/Don view of the ballet – swift action in a setting which allows the audience's imagination to work – gives this production its character and its distinction. Fighting pours over the stage, as do the ballroom dances, and we accept the manner because of its clear purpose and no less clear effects. Only in the closing scenes, with Juliet's despair and seeming death, did I feel that drama's wings had been a bit clipped.

The company performance, which I saw on Tuesday at the Lncent Dance-Theatre in The Hague (superb stage; grim auditorium), was excellent. In Aysem Sunal we had a aweetly childish Juliet; her Rnmeo, Jeroen Hofmans, is a young dancer who has graduated from the Flanders Ballet School and already demonstrates a big, bright technique and a sensitivity in drama which foretell brave things. Pascal Molat, the Mercutio, I have commended before in these columns. He is bright, alert, sparkling in step and manner; very fine.

The staging, indeed, shows the Royal Ballet of Flanders at its best – and must be accounted its most interesting acquisition for several years. Cheers for the company, and for Prokovsky as both choreographer and editor.

Sponsorship

Times, they are a-changin'

The arts sponsorship industry seems to have become revitalised in recent weeks. The Association for Business Sponsorship of the Arts has a new chairman, advertising tycoon, Robin Wight, who is keen to push through a root and branch overhaul of everything in his remit, from the name to the role of ABSA.

His arrival has coincided with a new vitality in the business, a vitality motivated by the fact that the remorseless growth in arts sponsorship, which saw expenditure rise from £600,000 in 1976 to £80m a year in a little over two decades, now seems to have stopped.

On Monday a conference, on "Culture, Business, and Society", attracted over 300 delegates who seemed aware that things were changing. The conference was organised mainly by Allied Domecq and its principal arts client, the RSC. This is a copybook sponsorship, with the company putting in a considerable sum, more than £1m a year, over a long period and expecting a return, both in corporate hospitality and in integrating the creativity of actors into its business, through workshops with staff and marketing spin-offs.

Perhaps the most encouraging aspect of the conference was the contribution of culture secretary Chris Smith. The government, through the Pairing Scheme, has raised £125m in new money from the arts since 1984. The scheme is now being re-assessed, but a strong hint was given that lottery money could be used in this area.

This is essential since the annual grant to ABSA to administer the Pairing Scheme is now inadequate, having been frozen at £5m a year: in the past 85 per cent of applicants to the scheme received a boost of government money, now it is nearer two thirds.

The hope is that when the new Lottery Act is passed next year there will be provision for assisting arts sponsorship. A small sum, even an extra £2m a year, would make a big difference. It could be earmarked for companies whose sponsorship support for the arts is focused on edncation and access.

By that time ABSA may well have a new name and a new purpose. Already around half its work is devoted to contributing management skills to arts companies rather than cash, especially the time and expertise of business executives who take up placements in the Business in the Arts and the Board Bank schemes.

This is the future, along with the role of the arts in inner-city regeneration, and in the stimulating of marketing programmes. The recently launched Creative Forum, which is designed to identify new partnerships, to promote them, and to measure their effectiveness, is already picking up steam. For the moment at least the philanthropic aspect of arts sponsorship is taking a back seat.

★

On the surface it seems extraordinary – Peterborough United Football Club, popularly known as the "Posh", is to sponsor the next major exhibition at the Royal Academy, *Art Treasures of England: the Regional Collections*, which opens on January 22.

But the chairman of Peterborough is Sir Peter Boizot, who built up the Pizza Express chain and sold it for many millions. And Sir Peter is a long term supporter nf the Royal Academy, as well as being a patron of the arts. The link is costing Peterborough, or rather Sir Peter, over £100,000, and is the first time that a football club has sponsored the visual arts. Leicester City and Leyton Orient have backed drama.

The RA has found it hard to find sponsors for its receot shows. At the last minute Christie's helped out on *Sensation* (although it should have been completely underwritten by Charles Saatchi, who owns the contemporary art on show and got tremendous publicity from lending it to the RA), and the Friends nf the RA contributed the £100,000 needed to put on the current display nf fairy paintings.

★

Theatre Clwyd in Mold has attracted the largest sponsorship commitment ever made to a theatre in Wales – £150,000 from Edison Mission Energy. The money will go towards the creation of a mobile theatre, with seating for 250, which will tour throughout the Principality.

Edison is an American company which operates two power stations in Snowdonia. As a first-time sponsor its contribution has been matched by a further £150,000 from the Pairing Scheme.

Antony Thorncroft

The complete musician

Pierre Ruhe finds the British composer Thomas Adès performing in Minneapolis

Thomas Adès's music travels fast. The 26-year nld British composer's first work for large orchestra, *Asyla*, has received a first US performance by the Minnesota Orchestra under Jeffrey Tate, just seven weeks after its recent world premiere in Birmingham. Simon Rattle, who conducted the premiere, has already taken *Asyla* on tour in Europe. That all these dates were planned before any conductor or orchestral manager had heard a single note of the 25-minute piece places Adès in the most enviable position of any young composer: everyone shares a confidence in his abilities. With the reputatioo of appealing to both musicians and a wider audience, his music increasingly receives multiple performances in rapid succession.

Adès himself helps spread that appeal by performing his own music, more coovincingly, certainly, than anyone else could. When he conducted *Powder Her Face* at last summer's Aspen festival, or when he led a chamber music concert here in Minneapolis, his indefatigable spirit as a performer complemented his talent as a composer. When did we last know so complete a musician?

Asyla addresses many of the emotions and longings that Adès has included in his music before – if on a bigger scale – but also presents a fundamental shift in emphasis. For listeners who associate his music with playfulness and sardonic wit, *Asyla* might seem overly serious. Tate and the orchestra gave a performance stunning in its ability to clarify the thorniest textures, to present the score's beauty in naked terms. The dramatic, beating trumpet entry in the first movement became an unsettling alarm call, causing a listener to shift uncomfortably in his seat. Yet with the lucidity came a blanketing layer of remoteness. Thus even as the third movement, marked "Ecstasio", draws a thick, steady dance beat, it felt self-conscious, like an observer of a night club rather than an intoxicated participant.

Asyla shared the programme with an erratic Mozart D minor piano concerto (Alicia de Larrocha as the at-times poetic but ultimately unconvincing soloist) and a deliberate, rather obvious reading of Elgar's Enigma Variations. Minnesotans are said to be polite people: they rewarded *Asyla* with the same enthusiastic applause as the other works.

A Sunday evening of chamber music made the

Engaging: Thomas Adès

weekeod something of an Adès festival. However, the local arts organisations that presented the concert unfortunately failed to generate any publicity: between them they attracted scarcely 30 people, shamefully ghetto-ising music that is decidedly broader in appeal.

What a large audience missed was Adès at his best. One of his most tightly constructed scores, *The Origin of the Horp* (1994), was played twice, with the composer conducting. Poignant in the lead clarinet part (played by Burt Hara), it is also one of his most engaging pieces. Here too we recognise the composer solidifying what have become his signature devices, as in the loosely coordinated, upward spiralling chromatic scales that lend an air of conspiracy, even paranoia, to the unfolding tale.

François Couperin's *Les barricades mystérieuses* also received two performances, first by Adès on a pedal harpsichord and later in his transcription for five players. The effect was magical. His *Sonata da Caccia* (1993), a humorous, neo-baroque, off-kilter trio for oboe (played by Basil Reeve), horn (Michael Petruconis) and harpsichord, imagines Debussy paying teasing homage to Couperin.

The Sunday concert also served to acknowledge Adès's influences. A fomer student of György Kurtág, he took the keyboard part in Kurtág's Bagatelles for flute, contrabass and piano op.14 d, with flautist Adam Kuenzel and bassist William Schrickel. Their sense of colour and shading was unerring and luminous; each tiny piece was excellently played. Adès cootinued at the piano with his rippling aud flowing *Traced Overhead* (1996) and three canons by the late Conlon Nancarrow, rich in blues barmonies. As a pianist, Adès is a conceptual interpreter rather than a blazing virtuoso – making profound sense of each work is rightly his priority.

John Woolrich's *Lending Wings* opened the programme, a work selected by Adès for the (mostly) student ensemble. Its clean lines and simple construction made it an ideal warm-up, although the conductor, Stephen Roemer, had difficulty keeping the ensemble together.

Every work on this chamber programme was a miniature in length and breadth of idea. That Adès bas now graduated to the large-scale complexities of *Asyla* will only increase our expectations for still larger symphonic works.

Opera

Rare Verdi in concert

Verdi wrote his fourth opera, *I Lombardi alla prima crociata* ("The Lombards on the First Crusade"), for Milan in 1843. Seven operas later, Paris wanted another at short notice in 1847; without enough time to write a new one, Verdi decided to adapt *I Lombardi* for the occasion. The Chelsea Opera Group performed the result, *Jérusalem*, in concert at London's Queen Elizabeth Hall oo Saturday.

As often before, the Chelsea company earned our gratitude. *Jérusalem* is even more rarely performed than *I Lombardi*, which has barely kept a toe-hold in the repertoire; and yet the "rewrite" seems to be the stronger, better-shaped piece.

The adaptation was extensive: a new plot, though still set during the First Crusade, a sizeable quantity of new music (including a ballet, which Paris always required – but Chelsea spared us that), and a more active role for the leading tenor. Verdi did a lot of re-orchestrating, too, and as cooducted by Andrew Greenwood on Saturday the orchestral writing made excelleot effects. Since *I Lombardi*, after all, Verdi had composed both *Ernani* and *Macbeth*, and his new expertise enhanced *Jérusalem*.

Not for the first time, Chelsea found itself having to replace an ailing teoor at almost the last moment. Stuart Kale stepped in to learn the role at four days' notice, and turned up trumps. Understandably cautious at the beginning, be was soon singing with assured sensitivity, sweet-toned and searching, that belied his sbort acquaintance with the music. As his beloved Hélène, the soprano Susan Stacey displayed lovely poise and delicacy.

With Mark Richardson as the villainous bass, Denise Mulholland lending well-matched support to her mistress Hélène and Henry Newman as the doughty Count, the whole performance gave us a fine introduction to *Jérusalem*. Several arias find Verdi in rich expressive form, and the actioo proceeds much more tidily than in *I Lombardi*. Seeing either opera staged would add little: both of the plots are routine melodramas, and we can imagine easily enough how they might look.

David Murray

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Dialogues des Carmélites: by Poulenc. New production conducted by Yves Abel in a staging by Robert Carsen. Cast includes Joan Rodgers and Sheri Greenawald; Dec 7, 10

■ BERLIN

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Die Zauberflöte: by Mozart. Staged by Günter Krämer, with sets and costumes by Andreas Reinhardt; Dec 7, 9

■ BOLOGNA

OPERA
Teatro Cnmunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Turandot: by Puccini. Revival conducted by Daniele Gatti in a staging by Hugo de Ana; Dec 6, 7, 9, 11

■ BONN

EXHIBITIONS
Kunst- und Ausstellungshalle der Bundesrepublik Deutschland
Tel: 49-228-917 1200
Kunsthalle Bremen: selection of important works including paintings, sculptures and copper engravings from the collection nf the Kunsthalle Bremen. Ranges from 17th century Dutch painting to modern photography; to Jan 11

■ CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Amistad: world premiere of Anthony Davis's new work about the 19th century anti-slavery campaign. Dennis Russell Davies conducts a production by George C. Woolfe; Dec 8, 11

■ COPENHAGEN

EXHIBITIONS
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
Alberto Savinio, Paintings 1927-1952: around 30 still lifes, landscapes and mythological compositions by the relatively unknown brother of de Chirico. His work combines abstract and figurative elements, and in many ways parallels de Chirico's own; to Jan 11

■ EDINBURGH

EXHIBITIONS
Scottish National Portrait Gallery
Tel: 44-131-624 6200
Portraits of Excellence: a series of photographs of distinguished academics at the University of Edinburgh, commissioned according to an 18th century University tradition; to Feb 1

■ HOUSTON

EXHIBITIONS
Museum nf Fine Arts, Houston
Tel: 1-713-639 7750
The Dark Mirror: Picasso, Photography and Painting. More than 300 works, the majority of them photographs, which will illustrate the relationship between the various media in which Picasso worked. The display includes studies of works in progress, self-portraits, and photographs of Rousseau and Braque. The exhibition has been seen in Paris and will travel to Japan; to Feb 1

■ LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
Sarah Chang: recital by the violinist of a programme including works by Strauss and Brahms. With pianist Charles Abramovic; Dec 7

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
The Magic Flute: by Mozart. Nicholas Hytner'a production, revived by David Ritch and conducted by Christnpher Moulds; Dec 6

Shaftesbury Theatre
Tel: 44-171-379 5399
● The Royal Opera: Il barbiere di Siviglia, by Rossini. New production staged by Nigel Lowery; Dec 6
● The Royal Opera: Paul Bunyan, by Britten. New production staged by Francesca Zambello and conducted by Richard Hickox; Dec 10, 11

THEATRE
Riverside Studios
Tel: 44-181-741 2255
Oh Les Beaux Jours: by Samuel Beckett (1961). Peter Brook directs Beckett's French language version of Happy Days; Dec 6

■ LOS ANGELES

OPERA
L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Countess Maritza: by Kálmán. Premiered in Santa Fe this summer, Linda Brovsky's production stars Ashley Putnam and is conducted by John Crosby; Dec 7

■ MADRID

EXHIBITIONS
Fundació "la Caixa"
Tel: 34-1-435 4833
Joaquim Mir, 1873-1940: A Life's Journey. Retrospectiva of around 140 works by the landscape painter; to Jan 25

■ NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
George Balanchine'a The Nutcracker; Dec 6, 7, 9, 10, 11

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
● La Clemenza di Tito: by Mozart. Conducted by James Levine in e staging by Jean-Pierre Ponnelle. Cast includes Anne Sofie von Otter and Anthony Rolfe Johnson; Dec 6
● The Rake's Progress: by Stravinsky. New production by Jonathan Miller, conducted by James Levine. Cast includes Dawn Upshaw and Samuel Ramey; Dec 6, 11

■ PARIS

CONCERTS
Salle Pleyel
Tel: 33-1-4561 6589
● Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With soprano Eva Mei, tenor David Kübler, bass Jan-Hendrik Rootering and Choir led by Arthur Oldham; Dec 6
● Orchestre de Paris: conducted by Wolfgang Sawallisch in works by Beethoven. With piano soloist Radu Lupu, soprano Luba Orgonasova, mezzo-soprano Marianne Roerholm, tanor Herbert Lippert, bass René Pape. Choir led by Arthur Oldham; Dec 10, 11

OPERA
Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
Der Rosenkavalier: by Strauss. New production conducted by Edn de Waart in a staging by Herbert Wernicke. Cast includes Renée Fleming, Susan Graham and Barbara Bonney; Dec 6, 11

Opéra National de Paris, Palais Garnier
Tel: 33-1-43439696
The Merry Widow: by Franz Lehár. Armin Jordan conducts a new production directed by Jorge Lavelli, with sets by Antonio Lagarto; Dec 6, 9, 11

Théâtre des Champs Elysées
Tel: 33-1-49525050
● Fidelio: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, with the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera. Conducted by Louis Langrée; Dec 9
● Leonore: by Beethoven. Production staged by Patrice Caurier and Moshe Leiser, and conducted by Louis Langrée. With the Orchestre des Champs-Elysées and the Choir of the Welsh National Opera; Dec 10

■ VIENNA

EXHIBITIONS
Kunstforum der Bank Austria
Tel: 43-1-533 2266
Art and Insanity: wideranging aurvey of the relationship between madness and the viaual arts, from the Baroque to the modern. The 350 works nn display include Géricault'a portraits of tha mentally ill, 19th century representations of lunatic asylums, expressionist works, and a selection of works by psychotic and schizophrenic artists; enda on Monday

■ TV AND RADIO

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BBC World Service radio for Europe can be received in western Europe nn medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV
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17.30: *Financial Times Business Tonight*

● **CNBC**
08.30: *Squawk Box*
10.00: *European Money Wheel*
18.00: *Financial Times Business Tonight*

Philip Stephens

A tighter grip

Tony Blair now needs to show the same command of the policy agenda as he does of its presentation

The laws of politics are reasserting themselves. Britain's Tony Blair is not immune. The prime minister has been reminded lately of two enduring maxims. Never underestimate the capacity of others – particularly Europe – to wreck the most carefully crafted of plans; and, when you change things, be aware that the yelps from the losers will always drown out applause from the winners.

In fact, the recent stumbles are remarkable only against the backcloth of the extraordinary first few months of the Blair administration. After falling at its feet, the media have awakened to the fact that the nation is governed by politicians not seraphims. Mistakes and squalls are the everyday business of modern politics. But they come as something of a shock when a government has been supposed impervious to such prosaic realities.

For all that, there is a message here for Mr Blair. His administration has entered its second phase. I think the next six months will be more important than the first in defining its character. The master of the big picture must show himself equally proficient in drawing the fine lines of policy-making. Direction needs detail. It may seem a curious comment on so patently powerful a prime minister, but Mr Blair would be wise to tighten his grip.

Some mistakes are avoidable. The Treasury should have anticipated the embarrassingly public rebuff delivered by the finance ministers of France and Germany to Gordon Brown's application to join the EuroX club of single currency countries.

Once the chancellor had ruled out sterling's participation in Emu until at least 2002, he was never going to win sympathy for the idea that he should be given a voice in managing the euro. As one of Europe's senior monetary officials was heard to comment, Britain's partners, after all, are not being offered any say over sterling's exchange rate.

It is a pity, though, that Mr Brown invited his European colleagues to spell out Britain's second-class status with such brutal clarity. As far as I can see, there was nothing in the way of quiet diplomacy to prepare the ground for a compromise ahead of Mr Brown's *démarche*. The relationship between Mr Brown and Robin Cook, the foreign secretary, is icy. So the Foreign Office was kept in the dark. Nothing changes. As one of its officials remarked after sterling's ejection from the exchange rate mechanism, the Treasury was never much good with foreigners.

So it is left to Mr Blair to patch up a deal at next week's Luxembourg summit. There are still hopes in Downing Street he can persuade Helmut Kohl and Jacques Chirac to give Britain observer status on the EuroX council. No doubt he will explain that being forced to the sidelines will not help him in persuading the country of the virtues of European co-operation.

The prime minister may have to be satisfied, though,

> The master of the big picture must show himself equally proficient in drawing the fine lines of policymaking. Direction needs detail

with a declaration – no doubt as solemn as it is flimsy – that the new group will not seek to pre-empt the decisions of the wider Ecofin council. The thought occurs that here is an issue over which Mr Blair would have done better to take the lead from the outset.

The parallel controversy of the week – over Mr Brown's plans radically to reshape tax reliefs on personal savings – is of a different order. The proposal to impose a £50,000 cap on tax-free saving has been characterised as an assault on the tax privileges of middle England. Hardly.

There are obvious technical flaws in a proposal drafted in undue haste. But the ceiling threatens less than 1 per cent of voters. Many more should gain from the new scheme. For all its legendary presentational skills, the government forgot that losers always shout loudest.

All this, though, is small beer compared with the coming crunch over public spending. The putative rebellion in Labour ranks against plans to cut benefits for lone parents promises to be the first of many. Harriet Harman, the social security secretary, has left no doubt that it was a decision dictated by the chancellor.

We will soon be hearing more of the same from other cabinet ministers. The Treasury has so far refused to publish details of Whitehall budgets for next year. Open government, it seems, is not to be confused with releasing information that it judges inconvenient. But the Treasury cannot for long obscure the realities of what amounts to a cut or a freeze in resources for many public services.

Herein, I think, lies the challenge for Mr Blair. His presidential style has many strengths. It puts him almost above party. He speaks for the nation. The only trouble with the prime minister, one Tory activist told me this week, was that he is not leader of the Conservative party.

But there is a downside. Mr Blair risks the impression that he is more interested in the marketing than in the substance of policy. The big picture doesn't seem to leave room for the detail.

I think this characterisation unfair. Each of the policy documents pouring out of the big Whitehall departments has been carefully negotiated with the prime minister. I have not heard cabinet ministers complaining about a light touch in No 10. And, as we saw last month over the single currency, he is not averse to overruling his ministers. But, as Mr Blair knows, impressions count.

He might take a cue here from Baroness Thatcher. I am told the two have met several times since the election. Her premiership was hit by more than its fair share of storms in the early years. She weathered them because the nation knew where she was heading. Whatever the occasional detour, the destination was always marked out.

This image was shaped only in part by her rhetoric – U-turn if you want to, the Lady's Not for Turning. Its essential reinforcement was a sense that she had full command of the policy-making process. She was never comfortable unless she knew more than her ministers did.

In the big areas of welfare reform, public spending priorities and Europe, Mr Blair would do well to aim for the same dominance. Voters need persuading they are governed with a purpose. That demands of Mr Blair a command of policy as well as presentation. Someone has to explain that cuts in lone parent benefits serve a better purpose than sticking to the last government's spending targets.

LETTERS TO THE EDITOR

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Other factors to be addressed in cotton anti-dumping complaint

From Mr Jose Alexandre Oliveira.

Sir, Neil Buckley's article "Commission faces fight on cotton anti-dumping" (December 2) invites three important qualifications.

First, the "complaint" brought by Broome & Wellington is in fact an application before the European Court of First Instance, Luxembourg. Since this is a judicial matter, your reference to the political support brought by Criet, the wholesalers' organisation, BEUC, the consumer organisation, and certain MEPs is irrelevant to the "complaint".

Second, there are two sides to every dispute. Several weeks before Broome & Wellington filed its case, Eurocoton made an application to the same court claiming that the EU Council acted illegally by rejecting the commission's proposal for definitive duties. Both cases are still at the stage of written argument and it will be some time before the court's verdict is known.

In the meantime, the political debate continues in relation to the new anti-dumping investigation now being conducted by the commission. It is not generally known that, although a majority of the EU member states rejected the commission's proposal back in May, a majority of them also supported the opening of a new investigation. Thus the member states have not shut the door on taking future action to protect the cotton weaving industry against unfair dumping practices.

Ensuring the future of the European textile industry as a whole requires a delicate balancing act between short term political interests and the long term strategic interest of the European Community (including the UK) as a whole. Eurocoton's view is that it would be folly to allow unfair dumping practices to destroy Europe's highly efficient and internationally competitive weaving industry. The rules of international fair trade should not be ignored just to give the importing sector of the finishing industry an unfair competitive advantage over the rest of the textile industry. It must not be forgotten that, in justified cases, measures can also be taken to ensure that unfair international trading practices do not damage the textile finishing industry, and that is the best safeguard for the industry's long term future, not the destruction of the cotton weaving industry.

José Alexandre Oliveira,
president,
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24, Rue Montoyer,
1000 Brussels, Belgium

Widen fair tax net

From Mr André Clodong.

Sir, Now that the finance ministers of the member states of the European Union have agreed in principle on a voluntary code to limit unfair tax competition ("'Harmful tax competition' code agreed", December 2), I suggest that the European Commission's own competition directorate ought to launch an inquiry into the code under article 85 of the treaty.

All that is required is to extend the rules applying to undertakings (the private sector presumably) to the largest undertaking of all in every member state, that is, the government.

Should the governments be found in a dominant position, article 86 would of course be more appropriate.

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Too easy to rely on financial rescue?

From Mr Z.H. Schloss.

Sir, Lex ("Asian flu", November 28) rightly puts some of the blame for current financial troubles in the area on the debtor countries. However, for every borrower there is a lender. The question therefore arises: Do the decision-makers in banks and other financial institutions, en masse, keep showing bad judgment repeatedly and in similar situations? Or does our monetary and financial regime currently provide signals and incentives which are inappropriate?

The eagerness with which official financing is now being provided in order to allow those lenders to be repaid in full and on time, points to the second possibility. So does the thought that those problems have been allowed to build up over long periods, so that by now such rescues have become inevitable, if potentially disastrous developments are to be avoided.

The trouble is that, by acting in this way, we may be strengthening the tendency for the system to go wrong again. A search for more fundamental solutions seems desirable.

Z.H. Schloss,
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Pull plug on new system

From Mr Justin Brooke.

Sir, Having been played for a sucker by the new London stock exchange electronic trading system, I have been following your reports with considerable interest.

The message is clear. The stock exchange must return to a system of a free market in all quoted securities, such as investors enjoyed in the old days before the exchange went electronic and its management fell into the hands of people lacking foresight.

Can the Financial Times lead a crusade for the return of orderly markets?

Justin Brooke,
Chymorvah Vean,
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Study history for a lesson on liquidity

From Mr Warren Edwardes.

Sir, In "Poll paralysis grips Seoul" (November 27) you report that the International Monetary Fund criticised Korean banks for relying on short-term foreign loans leaving the nation vulnerable to a liquidity crisis. So true. Continental Illinois and so many other cases have shown that contrary to the text-book view, liquidity management is not about holding gilts or T-bonds but about diversifying liabilities. Rather than get fixated over macho exotic options, bankers the world over should study history.

Warren Edwardes,
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Mark Nicholson argues that India is fated to have weak coalition governments and asks whether this would be so bad

The centre cannot hold

"Nobody wants an election," ran this week's coverline of Outlook, a popular Indian magazine. Not even the Congress party, apparently, which has nonetheless propelled India's 600m voters into a second poll within two years.

The lack of appetite for mid-term elections was highlighted by this week's unseemly scramble by both Congress and the opposition Bharatiya Janata party to construct alternative governments. But Congress could not split the 15-party United Front coalition. The Hindu revivalist BJP failed to woo enough defectors away from a divided Congress.

So why, if Congress was so reluctant to face the voters, did it bring down the government? And what, if pundits are right that India has entered an era of coalition governments, does this bout of instability say about governing a giant poor country undergoing economic reform and long-overdue integration into the world economy?

The answer to the first question lies largely in Congress's unwillingness to accept that it has lost its political dominance. The party that has ruled India for all but five years of independence has suffered more than any other from the consequences of the big political shifts since the 1980s: power has been moving from rich to poor, from the upper to lower castes and from the centre (Delhi) to the regions.

As Congress lost ground in the previous election to regional, caste and other parties, its share of the vote sank to a historic low of less than 30 per cent. For the first time the party came second to the BJP.

Most neutral observers, and some Congress leaders, believe the party will fare even worse in the coming polls, arguing it has been unable to restructure or revive itself. But frustrated by the impotence of being outside government for the past 18 months, some of its leaders forced the recent crisis anyway. They did this in the hope, it seems, of turning the issue of Rajiv Gandhi's assassination in 1991 to their electoral advantage.

The opportunity arose when an official report

The Gandhi factor: a street vendor sells a Rajiv poster

claimed that a government-coalition partner from Tamil Nadu had fostered links with Gandhi's Sri Lankan Tamil Tiger assassins.

Congress is taking a risk. Polls suggest the issues that count in this election (as in the previous one) will be the quality of roads, electricity supplies, wells and clean water, schools and health clinics. It is partly the parochialism of these themes, and a general cynicism about the ability of the Delhi-centric Congress to deliver, that has spurred the growth of smaller, regional parties.

So what does the election say about the prospects of governing such a country? Both the BJP and Congress will enter the election arguing that it is time to return to a strong, decisive central government after the disruptive fragility of coalition government. India, they claim, is fundamentally a two-party state.

The chief national issue is "stability", though senior Congress leaders concede that, having upset a government twice within the past seven months, their claim to offer stable government may now ring hollow. And another fractured result, they say, would herald further political instability.

If the big parties' claims are right, the election is worrying since available evidence suggests that neither party can achieve a governing majority on its own. Neither appears likely to win more than 30 per cent of the vote.

But are the claims right? The past 18 months of coalition rule might suggest otherwise.

As UF leaders repeatedly insisted over the weekend, their coalition did not, as was widely predicted, fall because of its internal contradictions, acute as these were. The UF, which united chiefly to keep the BJP from power, embraced free marketeers like P. Chidambaram, the reformist finance minister, and unreformed communists.

Yet, as many commentators pointed out over the weekend, the UF's record has much to commend it. In spite of its ideological disparity it managed to push forward India's economic reform programme further than even the previous majority Congress government, which launched India's economic liberalisation in 1991, in its last two years of office.

The UF cut taxes and tariffs (more modestly). It eased the path for foreign investors and somewhat reduced the amount of red tape. It committed India, for the first time, to phasing out 40-year-old controls on consumer imports, broached new aviation and broadcast policies, pushed through more financial sector reforms and unveiled a plan to deregulate India's oil and gas industry.

There were failures, of course. In particular, the UF stalled at introducing even a modicum of liberalisation into the state-monopolised insurance sector, made only limited gestures towards privatisation and, expensively, caved in to public sector unions over pay.

But on balance the supposedly weak coalition did more than the ostensibly strong national governments of the past. The previous Congress government had baulked at many of the UF's reforms.

The moral is, therefore, that coalition governments can work. Moreover, it is desirable that India makes coalition government function as a system. No country is as religiously, culturally, regionally or linguistically diverse. Few must cope with anything as complex as India's pervasive caste system.

In the last elections, just over half India's voters elected representatives from more than 20 small parties representing regional interests. This pattern is almost certain to be repeated this time.

"The political preferences have not changed since then," says Yogendra Yadav, a political scientist with the Centre for the Study of Developing Societies in Delhi. "Alliances can, though, and it is these which will decide the election."

These alliances have already begun forming and could be seen even in the political manoeuvring by the two big parties over the past few days, as they sought to patch together an alternative to the UF government. In spite of themselves, therefore, both the Congress and BJP parties have begun to countenance coalition government. Either may emerge as the nucleus of the next coalition government.

If and when they do, there will have been a shift towards greater decentralisation, with regional or caste parties holding the balance of power.

After the next elections, the small parties will likely be in a position to hold to ransom a Congress or BJP-led coalition – rather than the coalition being hostage to the bigger party.

FINANCIAL TIMES
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Friday December 5 1997

Elections in India

. faces its second general ion in two years. Its out- is likely to be more of the : possibly another minority rnment, probably another tion and, almost certainly, nued slow-motion reform. he election is not a costless ise: with the fiscal position ng and the economy weak, ncertainty and delay must uite damaging.

ther of the two big parties ely to gain more than 30 ent of the vote. Given the athy to the Hindu-alist Bharatiya Janata , the next government is likely to operate with at Congress'e acquiescence.

the outcome is indeed ter Congress-supportad ion, or one with Congress ipation, little is likely to e in either tha direction or of economic reform. That be no bad thing. The pres- -party United Front coali- as done a respectable job, though there are worries fiscal indiscipline and the progress of reforms, nota- the public sector.

fact that nothing much hange is not that surpris- olicy differences had noth- do with the decision by ess to bring the govern- down. The leadership of a ly and intellectually bank- Congress merely decided to it power. It has failed.

e BJP is to gain a hand in power, it must do exceptionally well. How mnch difference might it then make? A BJP government would alter the emphasis of policy, though probably not its fundamental direction. India would probably show greater bostility to inward foreign investment and more resistance to liberalisatton of imports of consumer goods. But the party might accelerate reform of both the public sector and the position of organised lebour, since it has little attachment to either sacred cow.

Yet the biggest concerns about the BJP are not over its attitudes to economics hnt rather over wbether its caste and communal attachments would destabilise Indian society and politics. A part of the answer is that they could do so only if tbe BJP were to gain power on its own. This outcome eeems quite unlikely.

In all, the election is a nuisance. It will presumably confirm that this diverse colossus is destined to a series of weak governments. Yet this may not matter: the reforms of the 1990s have all been introdnced by minority or coalition governments. In today's India the broad direction of policy is agreed, but movement along the road is never going to be fast, purposive or coberent. That was true before the government fell. It is likely to remain just as true after the forthcoming election.

. small summit

everal hours today, senior ls of the US and the Euro- Jnion will meet in Wash- for what is billed as a ual summit. Bill Clinton, president, will grace the on with his presence, but riefly. The EU side will be Jacques Santer, president European Commission, ean-Claude Juncker, tha ibourg prime minister, country holds the EU ency until December 31.

e are a variety of issues discussed, some of which uite sensitive and capable plicating the smooth flow nsatlantic relations. But anyone expects this g to resolve them. The de does not have a real te to negotiate, and the therefore scarcely inter- The meeting is more of mbarrassment than a e for a meeting of

bi-annual summits bave going for the past couple s, since the Transatlantic ess Dielogue was ed in Spain to raise the of EU-US relations. The ts were supposed to gal- lower-level officialdom tion. The problem is that is more form than sub- to the occasions. They well become counterprod-

not as if EU-US relations sy. On the trade front, there are ongoing disputes over EU controls to curb "mad cow" disease, which could hit US pharmaceutical exports; and over US extra-territorial legislation, such as the Helms-Burton Act and Iran-Libya Sanctions Act, which seek to punisb non-US companies investing in Cuba, Iran and Libya. There will be an attempt to reach a joint position on tha vexed question of trade on the internet, which the US wants left unregulated, and some members of the EU would prefer to control.

Washington wants to raise the question of Turkey's desire to join the EU, and urge the Europeans not to slam the door when they discuss potential applicants at their December summit meeting. The US also wants to raise its concerns about tbe lack of economic progress in Ukraine, and the explosive situation in tha Albanian-populated territory of Kosovo, in former Yugoslavia.

But these are all questions to which Messrs Santer and Juncker are scarcely in e position to respond. If the EU had a more substantial responsibility for foreign and security policy, it might make the summits worthwhile. Or if they were less frequent, and more broadly based on tha EU side, involving several member states. Mr Clinton can scarcely be blamed if he thinks the present exercise irrelevant.

Excess gas

vernment's moratorium building of new gas-fired ity plant is badly timed, idered and inconsistent s policy of reducing car- issions to combat global g. Even as a political sop ur's back bench support- the coal industry, it is

is a cheaper, cleaner and efficient fuel for power tion than coal. It is also ant. Private generating ies have therefore built d plant for good commer- asons, which also make or consumers. The move lped to reduce the UK's ns of greenhouse gases xious pollutants.

should the government to abandon so many ages? Tony Blair, the minister, gave one in the Commons: "We preserve as much of the ined coal industry as we can." But this would be ical fix with a doubtful Becausa of long con- n lead times, any move rom gas will be too late the workers of RJB Min- e choice in most cases between North Sea gas ap imported coal.

ver ineffective it may the moratorium looks ther instance of the gov- t's willingness to trim o help its friends. For a gas-fired plant was one ries of feather-bedding ls, which mining interests had put to the government in an effort to protect coal's market share.

Ministers will reply that they were acting in response to anxieties from the National Grid, operator of the electricity network, about the danger of excessive dependence on gas. The grid believes supply networks might not be able to cope at times of peak demand for gas and electricity.

This is a matter for legitimate debate. It calls for study, but it is hardly so urgent as to justify a moratorium on new building. By 2000, gas will be used to generate 36 per cent of UK electricity compared with 31 per cent from nuclear power and 20 per cent from coal. This is by no means a worrying balance – certainly not by comparison with Britain'a past over-dependence on coal and the vulnerability to disruption that caused.

If long term electricity supply were seriously in danger, the industry's regulator would have heard about it. But it seems he was not consulted – and is not worried. Market mechanisms within the industry can adjust different kinds of supply to peak demand. And there is tima enough to look for diversified sources of natural gas, if that proves necessary.

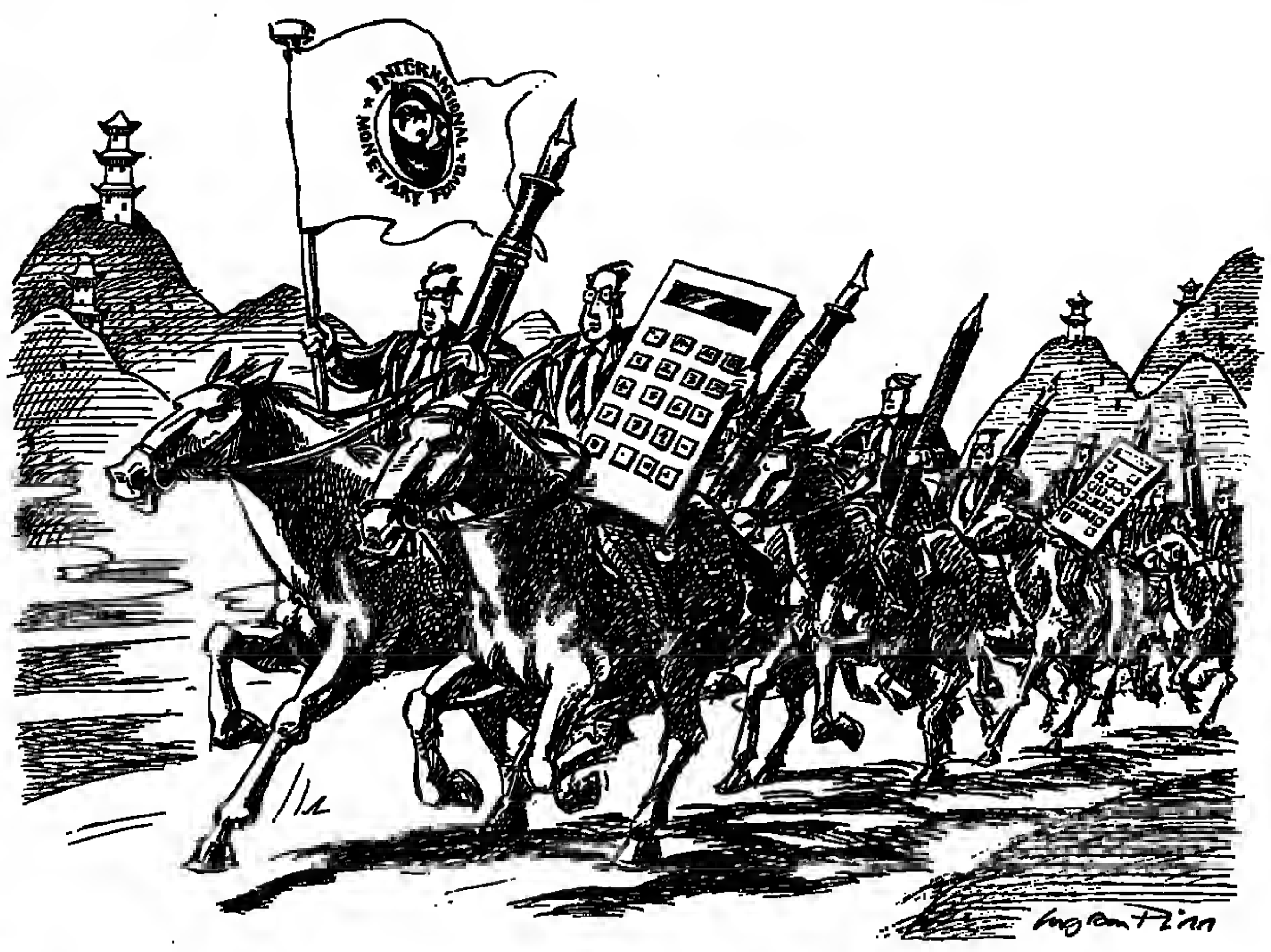
Ministers who meddla with electricity usually make a mess of it. New Labour must not be tempted by those old tricks. Privatisation has changed the rules of the game.

Riding to the rescue

Gerard Baker looks at the US role in the international bail-out for Korea and at the problems that might ensue

The $55bn rescue package for South Korea is easily the largest in the International Monatary Fund's 50-year history. It exceeds the famous bailouts for Mexico in the 1990s, several Latin American countries in the 1980s and the UK in the 1970s. It also comes at a time when the fund has arranged bailouts worth $37bn for Indonesia and $17bn for Thailand.

It is not just the financial scale of the response that is so striking, but its geographical breadth. For the first time since the Asian crisis broke this summer, European governments are to contribute a small but symbolic amount to the package. They, along with the US, Japan, Canada and Australia are to provide a "second line of defence", ready if needed, to supplement the main IMF loan of $21bn, World Bank funds of $10bn and an Asian Development Bank edvance of $4bn.



Officials of the IMF and the US were anxious to play down expectations that the signing of the Korean agreement marks the turning point in the Asian financial crisis that broke this summer. But they are clearly boping that such an unprecedented show of strength will surely stop the rot and begin the process of recovery.

"It was our jndgment, with increasing force over the last two weeks, that it was important the Korean authorities move quickly" a senior US Treasury official said this week. This was in view of what the US saw as "a deteriorating situation that we thought had important ramifications beyond Korea".

The US and the IMF certainly need this Korean mega-deal to be a success because it is the most serious test yet of the strategy for dealing with the financial crisis that continnes to rage over much of Asia. For though criticism so far of the US and the IMF has been muted, there are signs of growing discontent in Washington and elsewhere with the strategy they have pursued.

The approach so far has been a mixture of tha traditional – placing the IMF at tha centre of efforts to restore stability, and the relatively novel – the US and other countries, in recognition of the potential global implications of the crisis, standing ready to commit funds they hope never to have to lend should things turn out worse than expected.

The defenders of the strategy argue that it is the right one for dealing with the modern world economy – an era of globalised capital markets, rapid technological change that enables billions of dollars to be transferred between countries at a moment's notice, and economic interdependency that makes even the once mighty US economy vulnerable to shocks from emerging markets.

The Asian crisis represents "the first 21st century financial crisis in terms of the speed at which it has been propagated" throughout the world, says a senior US official. "It is to be hoped that the changes we are introducing will help to produce a 21st century economy."

Few donbt that the strategy is essentially American in design. As the world's leading economy and largest contributor to the IMF and other multilateral lenders, the US has taken the lead in forging the architecture of the agreement. It batted away plans by some Asian countries for e specifically Asian response to the crisis arguing it was right to let the institution with widespread international backing and appropriate expertise in the field – the IMF – act to restore stability by providing loans in exchange for tough reforms.

Up to now, the approach has met little resistance, but tha scale of the Korean deal has forced critics of the US strategy out into the open this week.

Democrats and Republicans are unhappy at what they see as potentially large US commitments to support Asian countries that are competing with US exporters. Jim Saxton, the chairman of the Joint Economic Committee of the congress, said the US approach involved "the bailout of our trade partners".

The Clinton administration has pointed out that the sums committed by the US itself are relatively small – and that all the leading industrialised countries are involved in the stabilisation efforts.

Japan, in particular, has offered huge sums: promising up to $10bn for Korea, if need be, or nearly half the total from rich countries. The US has also pressed Jepan to do still more to help Asian countries by stimulating domestic demand

But it has also ensured that the kind of IMF reforms forced on Asian economies help US exporters by liberalising trade and capital markets. US officials were anxious to stress this week, for example that the Korean agreement would leed to increased opportunities for US banks to operate in Korea.

Yet it is this reliance on the IMF that may in the end provoke a much larger debate both within the US and in the rest of the world. There is growing criticism of the IMF's epproach to the crisis, which opponents argue is not appropriately tuned to the needs of Asian economies.

The IMF's critics accuse it of adopting a "one-size fits all" approach to dealing with countries' financial problems. The policies it foisted on Latin American countries in the 1980s debt crisis may have been appropriate then, bnt they do not apply to the current Asian problems.

"The Asian countries in crisis are suffering from a bout of market panic, not the results of internal economic profligacy", says Jeffrey Sachs, director of the Institute for International Development at Harvard University and a fervent IMF critic. "The Korean economy, for example, has enjoyed perhaps the greatest economic success in the world over 40 years, based on sound fundamentals. It makes no eense to force them to change their entire system in a month."

While acknowledging the weaknesses of Asian economies, IMF critics say their basic economic strengths – high savings, sound government finances, friendliness towards external markets, significant industrial upgrading over a long period of time – mean that what they need is short term assistance, not tbe kind of structural reforms tbe IMF will force on them.

The IMF, with the backing of the US Treasury, rejects these claims, saying it tailors its response to the needs of individual countries, and that tbe reforms to be undertaken in Korea and elsewhere in Asia are necessary to restore international confidence.

But political attention to the IMF's role in Washington is growing. Jack Kemp, one of the leading Republican contenders for the party's presidential nomination in 2000, signalled the potential this issue has for political controversy this week wben be said: "The IMF drives a Faustian bargain with countries in economic distress. In exchange for these loans the IMF demands a poisonous mix of slower growth, currency devaluation and fiscal austerity, which usually results in higher taxes."

At the moment, such voices are heard largely from the sidelines. But if the Asian problems continue to spread, it seems certain that the current strategy will be in for some much fiercer criticism.

EU plays second fiddle

Europe has managed to avoid being completely sidelined in the Sonth Korean rescue package led by the International Monetary Fund. But it is in the second division, playing a subsidiary – even a symbolic – role.

Britain, France, Germany and Italy, the four European members of the G7 group of industrial nations, have pledged $5bn in equal portions of $1.25bn. The money is described by French officials as a "second line of defence" for South Korea.

Regardless of whether these contingency funds ever need to be used, mnch is being made in Paris of the EU effort. It is seen as a precursor of the kind of co-operation that should develop as the future euro-zone acquires an international poltcy dimension. The French also point out that it is a reversal of Germany's attitude to the 1994-95 Mexican crisis, which the Bundesbank regarded as a regional affair.

Bonn has been more cautious than Paris about the Korean initiative. Germany is anxious to avoid any suggestion that federal funds will be spent. It recognises the need to be present in the regional initiative bnt believes the pledge means, at best, the provision of guarantees to banks lending to Korea.

Italy is reported to have endorsed the idea of the $5bn package largely becanse It wished to enhance Its credentials as a future member of the euro. The UK has also backed the idea of a European G7 initietive partly because it wants to underline its determination to play a leading role in EU politics even though it will not be in the first wave of euro entrants.

Details of the $5bn offer are still vague, but the four have demanded heavy conditionality and want the facility to be made available only after the initial IMF tranches have been used up.

The modesty of this contribution has not prevented an element of friction creeping into EU-US relations. The prospect of Europe demonstrating its will to evolve an international policy for the enro appears to have aroused some concern in the US.

Asian countries themselvee had wanted to treat the matter as a regional affair. The EU was only allowed to attend a crisis session in Manila last month as an observer and was kept outside for much of the discussion.

Robert Graham
Peter Norman

· OBSERVER ·

Japan sleeps easy

■ Just what is happening to Japan'e fabled mountain of personal savings? The tidy sum of Y12,000bn has been withdrawn from Yamaichi Securities over the last two months. Large – if undisclosed – amounts were taken out of Sanyo Securities and Hokkaido Takushoku bank. Depositors have also been withdrawing cash from Yasuda Trust and other financial sector weaklings, though no-one'e saying exactly how much.

Some has found its way into the vaults of other Japanese banks: Bank of Tokyo-Mitsubishi sucked in Y450bn last month. Foreign banks are also feeling the benefit. The queue to open accounts at Citibank is growing by the day and the US bank is trying to capitalise by pushing leaflets through Tokyo doors.

But this doesn't account for anywhere near all the missing billions. The national postal savings system, which normally does well in troubled times, says it has not seen any rise in deposits.

"We just don't know where the money is," confesses one government official.

Perhaps the best clue comes from a 71-year-old pensioner interviewed on Japanese TV standing in a queue outside a Yamaichi branch. "I am keeping all my money under my bed in a jar from now on," she said. "And so are all my friends."

Old roller

■ Boris Yeltsin brought his own Zil limousine for his three-day visit to Sweden, but the Russian delegation was still keen to test tha mettle of Scandinavian motors. Volvo duly obliged by staging a crash test; a car complete with dummies was driven into a wall, thereby demonstrating the marque's legendary durability.

The same cannot be said for Yeltsin, who looked wobbly throughout his Swedish junket. The president cancelled his visit to Volvo'a Gothenburg headquarters and asked first deputy prime minister Boris Nemtsov to go instead. No official explanation for the late switch – but perhaps the vintage Yeltsin didn't fancy the extra mileage.

Options open

■ Stock options have showered wealth on all kinds of Americans, no-one more than divorce lawyers. GE Capital boss Gary Wendt this week concluded his divorce settlement in a Connecticut court after two years of earnest debate about the role of a "corporate wife" in her husband's glittering career. But, in the end, the case boiled down to a less emotive issue: mind-boggling calculations and arguments about the value of Wendt's stock options.

This is no small matter. Since the case began, Wendt's wealth appears to have doubled thanks to his options package. But the uncertain value of options makes the final settlement difficult to judge. Mrs Wendt certainly seems to have won more than her husband offered – a scarcely paltry $8m – but less than the 50 per cent of his wealth that she claimed. Either way, neither of them will go hungry. And after two years of wrangling, neither will their lawyers.

Come down

■ The world's turned upside down for Tran Khoung Dan, Vietnam's first celebrity inventor. For months the former building contractor turned herbalist has been hailed as a national hero for discovering a unique herbal cure for heroin addiction. Yesterday Hanoi banned Dan from treating patients or making medicine after a fatality at one of his clinics.

Dan reckons his wonder-drug can get the better of heroin, cocaine and opium addiction within five days. His claims were met with scepticism by international scientists – but that didn't stop his potion becoming the focus of the first scientific co-operation between the US and Vietnam since relations were restored in 1995.

The setback has caused intense embarrassment in Hanoi. There are also a few worried faces over at the United Nations, which invested $400,000 to fund tests at Johns Hopkins University in Baltimore and Virginia Commonwealth University. Trials will continue in Vietnam under state supervision – but Dan is no longer the man.

Storming stuff

■ Talk of "the Pacific century" may sound a little hollow amid the crash of tumbling tiger economies, but at least Asian identity will be stamped on the region's storms. This week's meeting of the ESCAP/WMO Typhoon Committee – the region's typhoon trouble shooters – decided to use Asian names for seasonal storms from the year 2000.

So out go Linda, Fritz, Winnie and Rosie, some of the western names issued by the US typhoon warning centre in Guam. And batten down the hatches for Typhoon Wong.

The Financial Times 50 years ago

South American Outlook
That conditions in Latin America may reasonably be said to be "relatively favourable" is the conclusion drawn by Lord Wardington, chairman of the Bank of London and South America, after a full survey of conditions in the seventeen countries served by the bank. "Matters are not so out of hand anywbere that they could not be remedied by wise statesmanship," be said.

Canada Food Pact
The delay in the announcement of the detail of the Canadian-U.K. food agreements is causing some concern, and has set afloat rumours that the Dominion Government is disappointed and displeased with Britain's reported intention to reduce imports of some foods and seek an increase in shipments of coarse grains with a view to feeding livestock, which will mean smaller purchases of meats from Canada. One view expressed concerns over the effect of these reductions on Canadian farmers, who, it is said, accepted a four years wheat agreement at much lower than world prices on the understanding that large purchases of other food products would largely compensate for underpriced wheat.

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Dublin set to give up its claim on Ulster

By John Kampfner and John Murray Brown in Dublin

The government of Ireland is prepared to enshrine in the republic'a constitntion the right of the majority of the people of Northern Ireland to determine their future

However it will not explicitly recognise British sovereignty over Northern Ireland, Bertie Ahern, Irish prime minister, said yesterday.

The offer is aimed at defusing anxiety among the unionist majority in Ulster over the claims in the republic's constitution to sovereignty over the entire island.

But Mr Ahern said in a Financial Times interview that his proposed revisions would remove any absolute claim by the republic to sovereignty over Northern Ireland but would not recognise explicitly British sovereignty.

"It is not the appropriate place for our constitution to say what the United Kingdom consists of. That is not the function of our constitution," he said. Giving Dublin's most detailed assessment yet of the outlines of a future settlement of the dispute over Ulster, Mr Ahern also said he would be happy to see David Trimble, Ulster Unionist leader, become head of a Northern Ireland administration.

He suggested the target date of next May, set by Tony Blair, the UK prime minister, for completing the current all-party talks was "not unrealistic", adding that "phenomenal progress" towards a deal satisfactory to unioniats and nationalists had been made in recent months.

Mr Ahern envisaged the proposed revisions to the constitution would be part of a single question to be put to voters in the Irish republic to ratify a new settlement. This would take place simultaneously with a referendum in the North.

He said a new North-South cross-border authority would be likely to have jurisdiction over areas such as agriculture, arts, transport, energy, medical research and other health issues, and "education standards". But be made clear religious issues were too sensitive to be included, while security should remain under British jurisdiction "for the foreseeable future".

Such a cross-border body, he said, should be modelled on the European Union'a Council of Ministers – states taking decisions collectively – not like the unelected European Commission. "Wa're not talking about a third government, we're talking about two adminiatrations acting together".

Mr Ahern all but ruled out the prospect of the two governments imposing a settlement over the heads of the parties if they fail to reach agreement.

He will meet all participants at the talks next week. Optimism has grown in recent days after all parties agreed to streamline their delegations and submit a detailed framework for a deal before the end of the month.

Irish charmer, Page 10

Fortune in World Cup draw for France and Brazil

Nim Caswell in Marseilles

Brazil, the defending world champions, and France, the hosts, face what look like easy opening rounds in football's 1998 World Cup, after the draw held last night in a freezing Velodrome stadium in Marseilles.

The Brazilians open the tournament against Scotland on June 10 at the Stade de France on the outskirts of Paris. The other teams in their four-strong group are Morocco, back in the finals for the second time running, under former French national coach Henri Michel, and European outsiders Norway.

France can be equally pleased with the draw. In a poll of the players just beforehand, the French squad said the teams they most wanted to avoid were Nigeria and England.

They have indeed been avoided, but none of their preferred opponents – Austria, Jamaica and Japan – came up. Instead, France open their campaign against debutants Soutb Africa in Marseilles before going on to play Saudi Arabia and Denmark. A second round place looks likely.

Every tournament has its "group of death" and in this biggest and richest World Cup so far, that looks to be Group D with Spain, Nigeria, Paraguay and Bulgaria. The Nigerians, reigning Olympic champions, are the only one of the 32 finalists not to have appointed a coach – they are said to be chasing former England manager Terry Venables for the job.

But the African side boasts some of the world's most talented foothallers and was unlucky to be beaten by Italy to a quarter final place at the last World Cup in the US in 1994. Spain, the gronp's seeded side, are ranked third in the world on FIFA's current ratings.

Bulgaria were fourth placed in 1994. And even Paraguay, qualifying second behind Argentina in the marathon Sonth American qualifying group, will be no easy morsel.

England paid the price for failing to qualify for USA 94 by missing out on one of the eight seeded slots. But coach Glenn Hoddle will not be unhappy with a group made up by Romania, Colombia and Tunisia. At least there is nothing obvious to excite the team's small booligan following, though the organisers may be more worried by the prospect of what is in World Cup terms a local derby between Belgium and The Netherlands in Group E – an easy train ride away from both countries in Paria on Juna 13.

Second poll in two years for India's 600m voters

By Mark Nicholson in New Delhi

India's 600m voters will go to the polls for the second time in two years after yesterday's decision by K.R. Narayanan, president, to dissolve the country's fragmented parliament.

The election commission, responsible for organising the world's biggest elections, said voting would be held between the third week of February and the first week of March. Mr Narayanan said a new administration must be in place by March 15, in time to pass necessary budgetary measures before the end of the fiscal year.

I.K. Gujral, whose minority United Front coalition was toppled last week by the Congress party, will remain caretaker prime minister until the polls.

The president's move returns India's politicians reluctantly to the hustings just 18 months after the last poll denied any party a majority. It led instead to the formation of a politically disparate 15-party coalition, supported "from the outside" by Congress.

Most commentators expect the next election to produce a similarly indeterminate outcome and lead to another coalition government.

The UF's 18-month tenure is the second shortest period of government since India gained independence 50 years ago.

Mr Narayanan ordered elections when neither Congress nor the Bharatiya Janata party, India's two main political groups, could make a coalition to replace the UF.

Announcing the dissolution, the president said: "The people need a reprieve from political instability" and a government that "is able to discharge its constitutional duties towards the well-being and betterment of the people of India, without being deflected from the primary task".

The move follows more than two weeks of political crisis, which caused jitters on Indian share markets and helped push the Indian rupee to new lows. However, the markets took news of elections in their stride. The Bombay Sensex index eased just 35 points to 3,562, while the rupee firmed to Rs38.92 to the dollar after opening below Rs39.

Election preparations wili prolong India's political paralysis for several months.

Centre cannot bold, Page 12
Editorial Comment, Page 13

GEC Alsthom

Continued from Page 1

became clear that this would better protect the interests of GEC shareholders.

The cash which the sale will generate for both partners renewed speculation about the roles each will play in the consolidation of the European defence industry and particularly about a bid by GEC for Britisb Aerospace.

However, GEC is believed to have little interest in a vertical integration of defence companies sncb as would occur in a merger with BAe.

GEC instead wants horizontal development of GEC-Marconi, its defence electronics arm, in such a way as to ensure that it retaina access to Pentagon defence contracts as well as European orders.

The French stock market marked Alcatel's shares up by FFr6 to FFr740. GEC rose 13½p to 403½p in London while BAe sbares rose 33p to £16.93.

Merger talk

Continued from Page 1

over-banked Swiss market. However, any consolidation could cost thousands of jobs.

Ever since UBS rebuffed a merger approach by Credit Suisse early last year, speculation has swirled around the future of the big three Swiss banks. UBS has faced more criticism over Nazi-era dormant accounts than any other Swiss bank, especially after the sacking of a security guard who biew the whistle on the shredding of bank documents.

THE LEX COLUMN

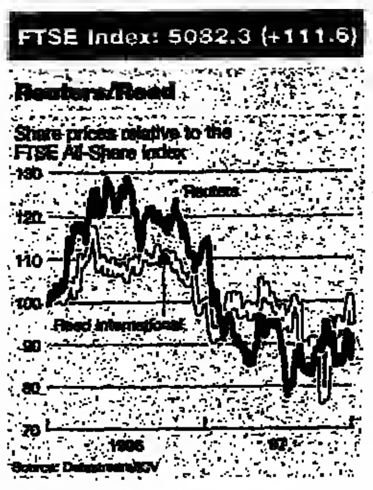
Magic money

Michael Eisner's sale of nearly $400m of Walt Disney stock looks impeccably timed. The shares have risen 20 per cent in little over a month and hit an all-time high just days ago. Of course, the Disney chairman and chief executive may have good personal reasons for selling now. And the shares were part of a 1989 option package, due to expire over tha next year. But investors should note that Mr Eisner has reduced his stake in Disney as measured in shares and in-the-money options by nearly two thirds. Furthermore, three other axecntives, including the chief financial officer, have registered their intention to sell stock.

Surely that signals aomething about the management's view of short-term prospects. Whila rosy annoal earnings and Disney's blue-chip reliability have buoyed the shares, comparisons for the current quarter will be tougher due to last year's *Toy Story* success. Longer term, the opening of the Animal Kingdom theme park and some promising film releases next summer should help. But on nearly 30 times prospective earnings, the shares are hardly cheap.

Mr Eisner's options amounted to just 1 per cent of Disney's share capital. At Time Warner, employee options expiring over the next few years amount to nearly 15 per cent, while Microsoft'a employees hold options equivalent to over 20 per cent of its capital. The prospect of dilntion from buge stock option packages could yet come to weigh on the market more generally.

FTSE Index: 5082.3 (+111.6)



Veba

Few German companies, except perhaps Hoechst or Daimler-Benz, can rival Veba's commitment to creating sharebolder value. The diversified utility's plans to focus on fewer and faster growing businesses is the logical next step in its restructuring now the cost-cutting phase is over. Fellow conglomerates RWE and VIAG should note the 7 per cent share price rise that greeted its plans for greater focus.

As one of the lowest cost providers, Veba is not running away from a soon-to-be liberalised electricity market. And criticism that it has been behaving like a typical cash-rich utility on an acquisition trail is misplaced. Its stake in E-Plus will boost its telecommunications arm, which piggy-backs off its electricity pylon network. Gradually merging its chemicals business with Degussa also makes sense. The global chemicals industry is restructuring rapidly. Together, both companies hava a better chance of either dining at the top table or getting out from a position of strength.

Most impressive is the decision to make a public offering of 49 per cent of Stinnes, its amorphous collection of distribution and logistics businesses. Accounting for around a third of 1996 sales, they no longer fit the bill. Other businesses will go too if Veba settles on being a pure international alectricity company with a strong telecoms arm attached. With procaeds from Stinnes set to swell its cash pile, and buybacks soon a possibility, shareholders should clamour for a thumping return of capital.

US bonds

Tha US Treasury yield curve might more aptly be described as a yield tightrope at the moment. With the spread between two-year and 30-year bonds at just 30 basis points and that between two and 10-year bonds in single figures, the curve is virtually flat. The next likely step, already being widely predicted, is an inversion that will leave short maturities yielding more than longer ones.

That sounds grim. Usually, an inverted yield curve signals expectations of a recession or at least a sharp slowdown. The last tima the curve inverted, in late 1994, the Federal Reserve was ratcheting up interest rates to curb inflation, driving up short term yields. This time is different: growth remains solid, but no monetary tightening is expected until next year. Instead, the curve has flattened because of a rally at the long end, with the 30-year yield briefly dipping below 6 per cent yesterday. This rally has been driven by shrinking supply as the budget deficit has melted away, and by the safe haven status of US bonds in the wake of Asian turmoil.

Theoretically, investors should respond to a flat yield curve by shifting money into short maturities. But those will get hit hardest if and when rates do rise. Furthermore, pension funds and insurers want to fund long-term liabilities with long-term assets, while commercial banks traditionally borrow short and lend long. With not much scope for lower yields anywhere on the curve, the bond rally looks like petering out.

GEC Alsthom

The tectonic plates under General Electric Company are shifting, but a massive eruption of shareholder value is not yet in sight. Yesterday's agreement with Alcatel Alsthom for a public offering of their GEC Alsthom joint venture is a move in the right direction. Neither parent company has any value to add to the power engineering group. However, instead of a clean break, GEC and Alcatel are each keeping 24 per cent stakes in the company. That could limit the ability of Alsthom, as it is to be known, to engage actively in the restructuring of its industry. Moreover, there are niggling suspicions that Alsthom – whose chairman and chief executive is likely to be French – will be run more on management-friendly Gallic lines than sharebolder-friendly Anglo-Saxon ones.

GEC is assembling a huge war chest. Cash-rich Alsthom is likely to pay each of its shareholders a special dividend of perhaps £300m before it floats. Add that to the £1bn GEC could receive for the stake it is selling and its cash pila would grow to about £2.5bn. GEC's acquisition capacity would be higher still, given that it could take on debt. It might also sell its non-core telecommunications business and, eventually, further stakes in Alsthom. GEC now wants to reinvest these funds in its core defence business. But to date, it has been frustrated in making acquisitions in the US (by the high prices) and continental Europe (by politics). The big test is whether it can make a breakthrough without scattering cash like confetti.

Additional Lex notes on Renters and Reed Elsevier, Page 20

FT WEATHER GUIDE

Europe today

South-east Spain and much of the central Mediterranean will be cloudy with heavy showers and a risk of thunder. Portugal and the rest of Spain will be mostly dry with some sunny spells after any early fog has cleared. The eastern Mediterranean will be fairly cloudy, but it should be dry with seasonal average temperatures.

North-west Europe will be mainly fine but cold with early fog and frost, although the northern half of the UK will turn wet and mild.

Central and eastern Europe will remain very cold and wintry with further snow flurries.

Five-day forecast

Southern France and the Iberian peninsula will be fine and settled with high pressure dominating the weather. Northern France and the British Isles will be mild and damp. The cold air over central Europe and western Scandinavia will be displaced as Atlantic weather systems spread from tha west. Italy and Greece will be showery.

Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

	Maximum	Beijing	Sun 7	Cardiff	Fair 8	Frankfurt	Cloudy 2	Madrid	Sun 10	Rangoon	Fair 34
	Celsius	Belfast	Rain 10	Casablanca	Shower 18	Geneva	Fair 3	Majorca	Thunder 14	Reykjavik	Shower 6
Abu Dhabi	Shower 25	Belgrade	Cloudy 5	Chicago	Snow -2	Gibraltar	Shower 15	Malta	Shower 20	Rio	Cloudy 32
Accra	Sun 32	Berlin	Snow -1	Cologne	Cloudy 2	Glasgow	Rain 10	Manchester	Fair 7	Rome	Shower 13
Algiers	Thunder 15	Bermuda	Fair 25	Dakar	Sun 29	Hamburg	Sleet 3	Manila	Fair 30	S. Frsco	Rain 18
Amsterdam	Fair 7	Bogota	Fair 20	Dallas	Fair 8	Helsinki	Snow -2	Melbourne	Sun 22	Seoul	Sun 8
Athens	Cloudy 17	Bombay	Fair 32	Delhi	Sun 23	Hong Kong	Cloudy 21	Mexico City	Shower 24	Singapore	Thunder 32
Atlanta	Sun 8	Brussels	Fair 4	Dubai	Shower 27	Honolulu	Fair 27	Miami	Sun 24	Stockholm	Fair -2
B. Aires	Fair 30	Budapest	Fair 4	Dublin	Fair 9	Istanbul	Fair 13	Milan	Cloudy 9	Strasbourg	Fair 2
B.ham	Fair 8	C.hagen	Sleet 3	Dubrovnik	Rain 13	Jakarta	Fair 32	Montreal	Snow -1	Sydney	Fair 28
Bangkok	Thunder 33	Cairo	Sun 22	Edinburgh	Rain 10	Jersey	Cloudy 9	Moscow	Snow 0	Tangier	Shower 15
Barcelona	Fair 11	Caracas	Fair 30	Faro	Sun 16	Johannesburg	Fair 27	Munich	Snow 0	Tel Aviv	Fair 23
						Karachi	Sun 29	Nairobi	Fair 24	Tokyo	Fair 12
						Kuwait	Fair 21	Naples	Shower 15	Toronto	Snow 3
						L. Angeles	Rain 20	Nassau	Fair 28	Vancouver	Fair 8
						Las Palmas	Fair 24	New York	Shower 8	Venice	Fair 10
						Lima	Cloudy 28	Nice	Fair 14	Vienna	Fair 2
						Lisbon	Sun 12	Nicosia	Fair 21	Warsaw	Snow 0
						London	Fair 8	Oslo	Shower -5	Washington	Fair 9
						Lux.bourg	Cloudy 1	Paris	Fair 4	Wellington	Fair 18
						Lyon	Cloudy 2	Perth	Sun 18	Winnipeg	Snow -4
						Madeira	Fair 20	Prague	Fair -1	Zurich	Cloudy 1

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FINANCIAL TIMES
COMPANIES & MARKETS
©THE FINANCIAL TIMES LIMITED 1997 Friday December 5 1997 Week 49

INSIDE

Havas investors question control

Minority investors in Havas, the French media business, grumble that Jean-Marie Messier (left), chairman of Générale des Eaux, the utilities group, has effectively taken control of Havas without being required to make e full bid. In February, Mr Messier announced a complicated share swap, whicb made Générale des Eaux the biggest investor in Havas. Page 18

Toyota stays on expansionary course
The progress of Toyota, the world's third-biggest vehicles group, has been so steady that even the economic ructions in its backyard have not changed its decision to expand. In Paris next week, the company will announce it is spending up to Y200bn ($1.55bn) to build a new small car for Europe at a site in France. Page 16

Music retailers take note
Jason and Metthew Olim, twin brothers, borrowed $20,000 to set up CDnow, an internet record store, three years ago. They have now filed for an initial public offering to raise up to $60m. CDnow'e success has encouraged record labels and retailers to go online. Page 19

Gold price dips to 12½-year low
Gold'e price drifted to a fresh 12½-year low as the market considered the implications of the sale, revealed on Wednesday, by Argentina'e central bank of all its gold reserves. Page 24

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Rises			
Degussa	91.5	+	6.5	Bicap	110.0	+	14.8
Rosenthal	200	+	30	Eaux Mois Vichy	3197	+	422
Veba	114.95	+	8.35	Locasion	478.0	+	78.8
Falls				Locindo	72	+	12
Babcock-BSH	105.2	–	5.8	Falls			
Hertz	113.5	–	5.5	Finalens	261	–	33
Zanders Feinpp	133	–	7	Moncey (Fin)	2251	–	249
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
Best Buy	35¾	+	3¾	Dia Kensetsu	390	+	46
Templeton Res	39¼	+	2⅛	Sekonic	415	+	60
Viroplacom	34⅞	+	2¼	Falls			
Wells Fargo	343	+	26¼	Ashigaka Bk	205	–	58
Falls				Chikuso Elec	425	–	175
Dallas Semi	44⅛	–	2⅞	Francis Macras	109	–	50
Tandy Cl	42⅞	–	2¾	Hokuriku Bk	165	–	49
LONDON (Pence)				**HONG KONG (HK$)**			
Rises				Rises			
FI Group	845	+	107½	Bank East Asia	19.75	+	1.20
Fired Earth	263½	+	32½	Cosco Pacific	8.90	+	0.55
Reckitt & Cims	956½	+	70½	Hang Seng Bk	77.75	+	3.00
Falls				HK Telecom	16.5	+	0.8
Jones & Shipman	27½	–	8	New World Dev	30.70	+	1.05
Phytopharm	47½	–	8	Shanghai Ind	29.40	+	1.65
Widney	38½	–	7	**BANGKOK (Baht)**			
TORONTO (C$)				Rises			
Rises				B Grimm Eng	22.00	+	4.75
Biovail	50.00	+	2.85	Furukawa	15.75	+	3.25
Draco Energy	54	+	5	Sri Trang Agro	55.00	+	10.75
Ensign Res	39.25	+	2.45	Falls			
Prudent Steel	18.30	+	1.45	Interlife	44.25	–	18.75
Falls				Syn Mun Kong	24.5	–	10.25
Getchell Gold	32.45	–	1.65	Thai Toray Tex	30.25	–	12.75
Millbrook	17.4	–	1.1				

New York and Toronto prices at 12:30.

Reuters hands out £1.5bn bonus

Shareholders to be given excess capital

By John Gapper in London

Reuters, the financial information group, yesterday succeeded in its long search for a means of returning excess capital to shareholders, by announcing a capital restructuring that will allow it to distribute £1.5bn ($2.5bn).

The company announced a scheme, eimilar to one employed by Northern Ireland Electricity last month, to establish a new holding company to acquire Reuters Holdings for a mixture of new shares and cash.

Peter Job, Renters' chief executive, said the company had "taken e long and arduous road" to the announcement, after a previous ettempt to return cash without incurring advance corporation tax was blocked last October.

Mr Job said the move in effect ruled out Reuters trying to buy Dow Jones Markets, the financial markets data arm of Dow Jones Inc. Dow Jones has indicated it might consider offers for DJM.

"We have been quite successful in our business, and there is plenty of growth left to it. We don't feel that we should dilute our focus by acquiring new businesses that lack much synergy with the one we are in," he said.

Mr Job said Reuters, which will have debt of about £400m after the restructuring and an existing £200m programme of share buybacks, would reduce its cost of capital and be better financially structured.

The Reuters scheme, drawn up with SBC Warburg Dillon Read, its adviser, will give £13.60 in cash for eech 15 shares and £81.60 for each 15 American Depository Receipts. Investors will also gain shares in a new Reuters Group.

This will allow Reuters to avoid paying advance corporation tax on the cash distribution. The company would not have been able to offset all ACT against UK corporation tax, since it earns much of its revennes outside the UK.

Although the problem would have been eliminated through the ebolition of ACT in 1999, Mr Job said the company did not want to wait. This restructuring would allow it to keep managing its capital more effectively.

There will be one-off tax and administrative costs of £30m to implement the scheme, partly because of having to repatriate cash reserves from overseas arms. The scheme should be implemented in February after shareholders meet in January.

The need to comply with US financial regulations and UK tax authorities meant Reuters could not distribute capital in the form of loan notes, the method employed by Northern Ireland Electricity for its recent £67m scheme.

UK investors wbo ere not tax-exempt could tberefore face e capital gains tax liability. US shareholders may face bigger tax liabilities es the entire cash distribution will be treated as equivalent to a share dividend.

Reuters shares closed 31p up et 710p, increasing the value of the company by £515m to £11.8bn.

Lex, Page 20

Publicis in partial takeover of True North

By Andrew Jack in Paris

Publicis, tbe Paris-based advertising agency, yesterday upped the stakes in its feud with True North of the US by launching a partial takeover thet values the company at just over $700m.

Under the bid's terms, Publicis would pay $28 for each of up to 9.6m shares, increasing its 18.5 per cent stake to just over 50 per cent. It would then merge True North witb its own advertising ectivities in e transaction paid for in shares to raise its stake in the US group to obout two-thirds.

Maurice Lévy, chairman of Publicis, said: "This is a very, very ettractive operation that is attractive to True North and Publicis shareboIders. Tbe offer shows our determination to succeed."

The action was originally triggered by True North's proposal to take over the rival US-based advertising agency Bozell this year. Publicis wrote to True Nortb last montb to express its objection to the deal and to propose its own $28 cash and share offer.

True North, which reached a settlement with Publicis this spring after e long-running feud over the operation of a jointly controlled agency network, said it would be impossible for the two groups to reconcile their differences.

But Mr Lévy said yesterday the dispnte had only affected the groups' top corporate management.

He said the Bozell acquisition would have diluted Publicis's stake so that it could no longer use equity accounting to include a proportion of True North's results in its own eccounts. But be dismissed the financial impact as tiny.

He said he would not necessarily have proposed a takeover of True North had it not launched the bid for Bozell, which be said created "additional weaknesses" in the US group's international network.

James Dougherty, an analyst with Dean Witter Reynolds in New York, said: "It is good that Publicis has come up with a tangible offer. I can't see how two companies that have for months pnblicly talked about how much they detest eacb otber could work together. But True North has been a problem area for many years. If I was e shareholder, I would take the money."

Publicis is advised by Lazard Frères, the investment bank.

LTCB reveals the extent of its market exposure

By Gillian Tett in Tokyo

Long-Term Credit Bank, one of Japan'e large banks, yesterday took the unprecedented step of revealing detailed estimates of its exposure to the Japanese stock market.

The data show that et yesterday's 16,306.79 closing level of tha Nikkei, the company would lose its "cushion" of unrealised equity gains – the gap between the market and book value of shares the bank holds.

However, the data also made clear that LTCB has in recent months lessened its exposure by selling shares.

The company believes that it would lose sbout Y200bn ($1.5bn) if the Nikkei fell to 14,000, compared with Y400bn eight months ago.

LTCB's decision to reveal these sensitiva figures is an unusual move in Japan, which has a poor record for corporate disclosure.

Banks, for example, have hitherto refused to provide precise details about the huge levels of equity that they hold in related companies.

The step has been partly triggered by the company'e recent alliance with Swiss Bank Corporation, which has fuelled pressure for better disclosure and the introduction of more western-style business practices.

It also comes amid growing fears among analysts that the recent slide in the Japanese stock market could seriously damage banks such as LTCB. LTCB's share price, which closed et Y215 yesterday, has halved in the past two months.

Hidden equity gains are crucial in Japan because under the country's eccounting rules banks have to record a loss at year-end on their share portfolios if they fall. However, they do not record a profit when the value rises unless they sell the shares.

Banke had hoped to use these "hidden" profits to write off their huge bad loans. But if the Nikkei stays at current levels until next March, they will not be able to do this, and may even have to record large losses on their portfolios.

JP Morgan estimates thet five large banks lose their equity gains when the Nikkei reaches 16,300.

LTCB's data show that the company's exposure to the Nikkei has fallen. One year ago, for example, the company lost its hidden reserves when the Nikkei dropped to 17,700. It now loses them when it falls to 16,700. The group has recently sold around Y400bn of its equity portfolio, in addition to other large sales last year.

Katsunobu Onogi, LTCB president, yesterday downplayed suggestions that tha company could face a liquidity squeeza becausa of recent events.

At the end of September the group had Y730bn cash, Y1,200bn Japanese government bonds and Y400bn government agency bonds on its books, he said.

It has no need at present to tap international markets because it had raised edditional funds earlier, he added.

Although bad loans next March are projected to be around Y1,100bn, this will be covered by Y500bn bad loan provisions the group plans to take – a step that will push the group toto a Y320bn pretax loss this year, he added.

Policy of honesty, Page 16

Versace empire stays in shape

Fashion chief targets large youth market

Donatella Versace (left) remains optimistic about expanding the range of the fashion house AP

Since Gianni Versace, the Italian fashion designer, was shot dead outside his Miami Beach house four months ago, there has been a question mark over his empire's ability to survive without him.

But yesterdey his sister Donatella, who has taken on the mantle of the company's chief designer, emphasised in a rare interview that not only was the business in good shape, but she was planning for growth.

In New York for the opening of a Versace retrospective next Monday at the Costume Institute of the Metropolitan Musenm of Art, she said: "What I would like to do is expand some of our lines to begin with, especially the younger lines – Versus, Istante and Versus Jeans.

"Our market research tells us there is enormous demand from young people who want to wear Versace, so we want to open new stores and co-operate with department stores that already carry some of our lines to reach as many customers as we can."

Ms Versace, 40, was sitting on an elegant sofa in the Versace family's sumptuous, neo-classical town house on East 64th Street in midtown Manhattan. Her long, platinum hair streamed down her back over a simple black dress by – who else? – Versace. Since the murder, while she has become chief designer, Gianni'e elder brother Santo, 51, has continued as the financial head of the business, which had $554m in revenues last year and $48m in net profits.

Gianni bequeathed his 50 per cent share in the business to Donatella's daughter, Allegra, and the rest of the shares are held by Donetella and Santo.

Five days before Gianni's death, the company signed an agreement with Morgan Stanley, the US investment bank, for an initial public offering to Milan and New York, with a target date of June 1998. But Donatella said yesterday there was now no timetable for the flotation because it had been canght up in Italy's civil and fiscal laws of succession.

Ms Versace said that Versace, like other globel luxury brands, had felt Asia's economic problems, but had not been seriously affected. The short-term effect of Gianni's death had been an npturn in sales, because of the publicity.

"We ere pretty good in 1997," she said, puffing on a Marlboro cigarette. "But, you know, to judge my new role, I prefer that you wait for the end of 1998.

"Gianni told me e long time ago that if anything bappened to one of us, the other wonld be the one to keep alive the Versace legacy.

"Gianni was a very generous genius, becanse whatever he knew, be told us. That's the brilliant thing about Gianni: he shared his knowledge, and not many people do that. I bope I understood enough to carry on wbere be left off. I think I did."

Richard Tomkins

DMG to scale back equities operations in Asia

By George Graham in London

Deutsche Morgan Grenfell will todey becoma the latest investmant bank to cut back in Asia whan it announces plans to retreuch its equities operations in Thailand, India and Korea.

Job losses have continued to mount in investment banks across the regiou as trading volumes and new issues dwindled in the wake of turmoil in Asian financial markets in October and November.

Cuts at Peregrine Investment Holdings and NetWest Markets in Hong Kong have proved to be just a beginning.

DMG, the investment banking subsidiary of Germany'e Deutsche Bank, will move its equity sales and research teams in Korea and India to its main regional hubs in Hong Kong and Singapore.

Thai equity sales will also be moved, though research will remain in Bangkok.

Mark Cullen, DMG's head of equities in Asia, said the changes would only affect 40 staff in tha three countries. "There will be people that go, but this is not a case of walking in and shooting out the lights."

The deepest cuts have come at Peregrine, which last week announced it was shedding 275 of its 1,750 staff.

NatWest Markets meanwhile laid off 55 from its debt unit in Hong Kong; it and Barclays heve both pnt their Asian equities businesses up for sale.

Jardine Fleming has confirmed three redundancies in its research department in Hong Kong, but more job losses are expected in other parts of its business.

In many emaller Asian financial centres, such as Jakarta and Kuala Lumpur, western investment banks are shedding expatriate staff, whose high salaries make up a large proportion of their cost base.

"Equity origination and secondary market trading is going to be difficult for the next couple of years," Mr Cullen said.

For DMG, the centralising of equities operations partially reverses four years of aggressive expansion in Asia.

The offices in South Korea, Thailand and India are among those most recently established and are not yet making solid returns.

"They have got to make some cuts, and it's easiest to make cuts where you are not yet up and running," said a senior DMG manager.

Mr Cullen said many of the staff affected would be offered posts elsewhere in the region. "No one is closing. All we are doing is moving people around, putting them under the roofe which best suit them."

DMG officials denied that the cuts were caused by any ebuormal trading losses during the recent upheaval in Asian markets.

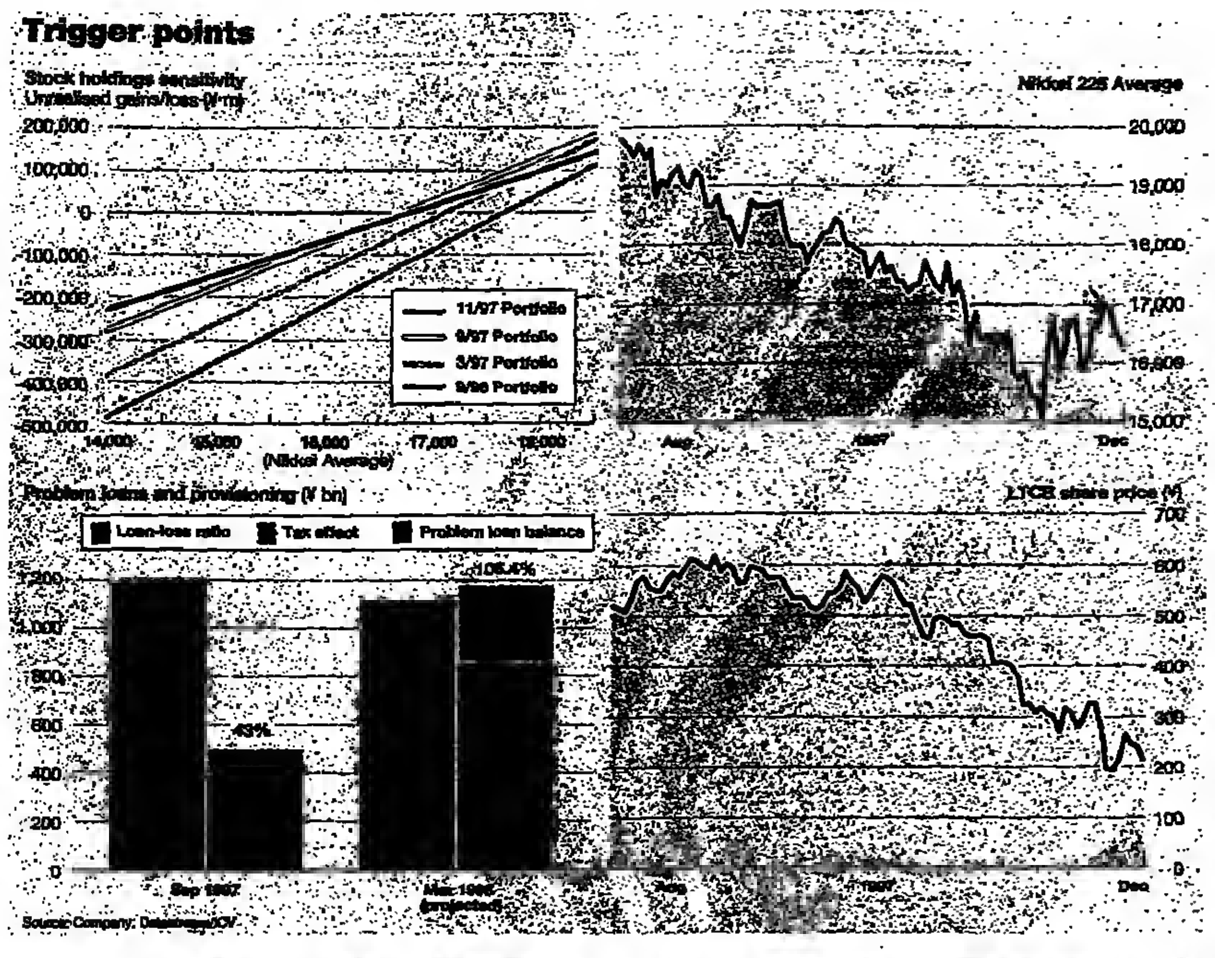
Although DMG had been rumoured to be among the heaviest losers from its positions in Asian equity derivatives, Mr Cullen noted that it was expanding its trading operations in the region with the purchase of NatWest's equity derivatives business.

Honesty is best policy at LTCB

Katsunobu Onogi, president of Long-Term Credit Bank, presents a piece of paper to try to explain the market unease besetting his bank. On it is a graph showing the levels of the Japanese stock market at which LTCB loses the "hidden gains" on its equity portfolios (or the gap between the book and market value of these shares).

At first glance, it might seem alarming: at yesterday's Nikkei close, the company has already lost its financial cushion of equity gains.

But it also provides reason for cheer. Banking analysts have long suspected, according to their own calculations, that several Japanese banks lose their equity gains at these levels (although this has been hard to calculate, as they do not know the precise mix of shares). But what the chart implies is that LTCB has been making strenuous efforts in recent months to change its exposure by selling selected shares.



The decision to reveal the numbers provides one hint of the change now afoot at some Japanese banks such as LTCB, following the unprecedented collapse of three large financial institutions last month – a change that in the longer term could help boost investor confidence.

The pressures on LTCB are clear. In the past three months its share price has plunged. Credit rating agencies have downgraded the group: IBCA this week put the company down to a level only three notches above "junk" status, in part because of fears that the group's business franchise was ailing.

These concerns have left the company paying 30 basis points more than Industrial Bank of Japan for its debentures – a development which could hurt profits this year. Recent business results have been mediocre: the group's pre-tax profits fell 7.9 per cent in the first six months of the year, compared with the same period last year.

On top of this, the group's share price has been hit by rumours that its recent alliance with Swiss Bank Corporation is fraying.

These rumours are hotly denied by both sides. In practice, preparations for the planned joint ventures are proceeding rapidly. As Luqman Arnold, of SBC, says: "Our commitment is as strong as ever." But a capital-raising exercise – and planned cross-shareholding – has been delayed until early next year, in the hope that market conditions will be less turbulent.

These woes give plenty of reason for gloom. But they might also carry the seeds of hope. As LTCB's share price falls, SBC's influence over the bank appears to be growing, in turn raising the pressure for the adoption of new western-style practices.

Even aside from SBC, reform seems to be creeping in. Mr Onogi argues: "This turmoil is going to accelerate the transformation of LTCB's balance sheet, its business and our own corporate culture."

Mr Onogi has long made no secret of his willingness to change. He is one of the more innovative and internationally minded of Japan's banking leaders. Two years ago, LTCB was one of the first banks to start reducing its risk-weighted assets and its equity portfolio. He personally pushed through the alliance with SBC.

Until recently he faced lingering opposition within the domestic side of the bank. But recent events have played into his hands: after watching other large financial institutions collapse last month, resistance to change within LTCB is disappearing. "What this turmoil has done is pull the staff together," Mr Onogi says. "It could be the milestone that transforms our future."

The business results have yet to be seen. But Mr Onogi plans to introduce a more meritocratic pay structure next year. He is also planning changes in the group's core business operations.

This is crucial because the three areas of business covered in the joint ventures with SBC – investment banking, private banking and asset management – will potentially leave LTCB with just the rump of its traditional corporate lending business.

At present this looks unattractive: Y3,700bn ($28.8bn) of this is only earning a spread of 50 basis points (in effect, an unprofitable level), while Y8,000bn has a spread higher than 75 points.

But Mr Onogi wants to address this problem by focusing on the more profitable middle-ranking corporate loan sector, and sharply cutting its loan book. Lending to large, multinational companies will be directed instead towards the investment banking joint venture, he says.

Whether this will be enough to convince investors that the group has a viable future outside the joint ventures remains unclear – and any hint that the relationship with SBC is ailing is likely to leave the share price plunging again.

But by taking the bold step to release more information, LTCB is setting a precedent that will be cheered by western investors and may even force more disclosure at other banks. Mr Onogi could yet deserve a chapter in the annals of Japan's financial history.

Gillian Tett

Wheelock lifted by property sales

By Louise Lucas in Hong Kong

Wheelock, the Hong Kong property conglomerate, yesterday reported a 51.8 per cent rise in net profits for the six months to September 30, from HK$788m to HK$1.2bn (US$155m).

Property was the engine for growth. The group sold 34 flats at an average price of about HK$6,300 a square foot, as well as several flats in two other developments.

Since the end of the interim period, 44 more flats at a fourth development have been sold.

Despite the downturn in property markets throughout Asia, Gonzaga Li, chairman, said Wheelock was "carefully assessing the possibility of an initial sales launch in the next several months" of almost 1,700 flats in Diamond Hill, a densely-populated part of the territory's Kowloon peninsula.

Wheelock is continuing to build residential apartments. In Singapore, Wheelock's Marco Polo Developments subsidiary will next year close the Marco Polo Hotel to make way for a luxury condominium project.

In Hong Kong, the company, with others in the Wheelock stable, has won the contract to develop Kowloon Station Package Two, a 2.26m sq ft residential project at the new Mass Transit Railway Kowloon Station, across the water from the Central business district.

Sales in the period rose to HK$1.92bn from HK$1.57bn. The company said its share of profits from associated companies in the period amounted to HK$1.3bn, compared with HK$753.1m a year earlier.

Earnings per share at the halfway stage rose 50.9 per cent, from 39.1 HK cents to 59 HK cents. However, the interim dividend is held at 11.5 HK cents.

ASIA-PACIFIC NEWS DIGEST

CSFB details bid for Finance One

Credit Suisse First Boston, the investment bank, yesterday released details of its takeover bid for Finance One, Thailand's largest suspended finance company, which faces possible liquidation on Monday.

CSFB said it would inject Bt6.24bn ($146m) into Finance One to purchase between 70.5 per cent and 80 per cent of the company. The Thai government and other senior creditors would be issued new notes at 66.67 per cent of face value of their original debt. The new debt would mature in eight years, CSFB said. In addition, the creditors would receive 29.5 per cent of the equity of the reopened company. Eurobond holders would receive a new note equal to 30 per cent of their original debt, carrying a 10-year maturity.

CSFB, which is a significant creditor of Finance One through its holding of 48 per cent of the Thai company's $63m eurobond, made a bid for Finance One in mid-November that irked senior creditors who have direct loans to Finance One. On Wednesday the senior creditors enlisted WestLB, the German bank, to submit a rival offer.

Analysts said yesterday that they expected both the CSFB bid and the WestLB offer to be rejected by Thai authorities.

Ted Bardacke, Bangkok

■ PEREGRINE INVESTMENTS

Commercial paper downgraded

Moody's Investors Service, the credit-rating agency, has downgraded the rating assigned to a multiple-currency euro commercial paper facility of Peregrine Investments Holdings. The revised rating, to Prime-3, follows a downgrading of the Investment Bank of Korea, which supported the transaction in the form of a direct-pay letter of credit.

Reuters, London

■ INDONESIA

Nissan to build engine plant

Nissan has won approval to build an engine manufacturing plant in Indonesia in a joint venture with a local company and Nissan's Malaysian partner. The total investment is scheduled at Y8.5bn ($66m).

The decision to set up a new engine plant highlights the push by Japanese industry into south-east Asia. Japanese carmakers, including Nissan, have a long history in the region and command high market shares in most countries. Nissan already has a manufacturing facility in Indonesia which produces its most popular models, such as the Sunny and the Terrano.

The Japanese company said the new plant would produce four-cylinder engines in the 1.3 to 1.8 litre class from the summer of 2000. The facility would be capable of machining 140,000 units and assembling 40,000 a year.

The engines will be exported to other countries, such as Thailand, the Philippines and Malaysia, but the new plant will also supply Nissan's manufacturing bases in Indonesia.

Michiyo Nakamoto, Tokyo

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A steady drive around the world

Toyota aims to overtake Ford as second biggest carmaker, writes Haig Simonian

Like one of its luxurious Century limousines, Toyota has glided in recent weeks over the bumps of a faltering domestic market and the potholes created by the economic turmoil across Asia.

So stately has been the progress of Japan's biggest car company – and the world's third-biggest vehicles group, behind General Motors and Ford – that the economic earthquake in its backyard has not shaken its decision to continue expanding.

In Paris next Tuesday, the company will announce it is spending up to Y200bn ($1.55bn) to build a new small car for Europe at a site near the northern French city of Valenciennes.

The decision will disappoint British politicians, who had hoped Toyota would extend its plant at Burnaston, in the British Midlands. But at least there will be substantial new investment at the Deeside engine plant in Wales to feed the French factory.

For the second time in a year, the news will turn the spotlight on Hiroshi Okuda, Toyota's president for the past two years and the first non-member of the founding Toyoda family to run the group. Mr Okuda's first brush with the European media came when newspapers quoted him as warning that Toyota might pull out of the UK if it did not join the single European currency.

The quotation was later denied, but it propagated Mr Okuda's domestic reputation as a maverick to a wider audience. "I didn't say anything like that," he says in an interview at the group's headquarters in Toyota City, near Nagoya. "I was asked what would be required for us to build another plant in the UK. I said that there were a number of conditions, like labour quality, infrastructure, the supply base and the currency. I referred to the currency as just one of the criteria to be met."

Hiroshi Okuda: wants to increase output from local plants

Toyota will play down any suggestion that the choice of France was influenced by the politics of European monetary union or by generous grants. Whatever the reason, the new factory will mark a further step in the group's transformation from an inward-looking manufacturer to a global brand, producing vehicles on every continent.

Mr Okuda says Toyota's target is to supply 65 per cent of sales in big markets, such as Europe and the US, from local sources, rather than Japan. Building cars on the spot reduces the risk of trade frictions, which so plagued relations with Washington in the 1980s. It also boosts sales by presenting Toyota as a local "good citizen", reduces exposure to currency fluctuations and shortens supply times.

The French plant is elemental in fulfilling Mr Okuda's "short-term" ambition of overtaking Ford into second place among the world's carmakers. Toyota's sales in Europe, the second-biggest car market after the US, have never met its expectations. The group has less than 3 per cent of the European market compared with about 40 per cent at home. Moreover, sales are concentrated in Germany, the UK and the Benelux; registrations in the big southern markets of France, Italy and Spain are much more patchy.

Foreign sales could become decisive if bleak signals from Japan prove lasting. Domestic new car registrations tumbled 23.5 per cent in November, the biggest monthly drop since the 1973 oil crisis. Last month's slide was particularly severe for Toyota, which suffered a 27 per cent fall in sales. With domestic consumer confidence crumbling after a tax rise in April and recent bankruptcies in the financial sector, carmakers may have to intensify their sales abroad to compensate.

Mr Okuda recognises that internationalisation poses challenges for a company which is still branded by its peers as bureaucratic and provincial. His appointment was widely seen as acknowledgement that the company needed a new broom.

In North America, for example, Toyota's breakneck expansion means production will exceed 1m units by 1999. Japanese-style consensus management from Toyota City may no longer be enough.

"That is going to be a big challenge. If we want to be a global company in the true sense, we have to accept the free flow of people as well as the free flow of capital."

While domestic car sales are skidding, exports will be helped by the weaker yen. But that consolation is clouded by the risk of tougher competition abroad from rival Asian carmakers, which have even more at stake than the Japanese. Competitors such as Korea's Hyundai and Daewoo, or Proton of Malaysia, have faced an even worse contraction in their home markets, increasing their need to export. They have also experienced much sharper depreciations than the Japanese.

The need to avoid redundancies is central in Toyota's determination to maintain its 40 per cent share of the domestic market. This slipped in the early 1990s, as the company was slow to develop the niche vehicles which now account for almost 50 per cent of the market.

"Unless we can keep domestic production at between 3m and 3.5m units – corresponding to the 40 per cent market share – we would have to lay off workers. So we have to achieve it." Mr Okuda says economic growth in Japan allowed employees to stay at the same company for a lifetime: "people have become used to this system." This creates pressure for the company to keep expanding to maintain the workforce.

"Toyota doesn't want to follow either GM or Nissan," he says. Both companies suffered steep falls in their domestic shares from historic peaks at 40 per cent and 30 per cent, respectively, when they grew complacent. "We don't want that to happen to us."

هكذا من الاعلى

Veba shake-up includes Stinnes IPO

By Peter Norman in Bonn

Veba, the Düsseldorf-based indnstrial group, yesterday announced a sweeping restructuring of its trading, transport and services division that will include a stock exchange listing for up to 49 per cent of its Stinnes subsidiary in the second half of next year.

The moves – described by Ulrich Hartmann, Veba chief executive, as "focusing Veba's service sectors and setting course for strong growth" – triggered a sharp rise in Veba shares on German stock markets. They were at DM114.95, up DM8.35, at the end of floor trading in Frankfurt.

Mr Hartmann said the changes would eliminate overlap and realise "additional, sustainable added value". The service sector revamp will create a division employing around 60,000 with sales of more than DM30bn ($17bn), split among three new corporate entities.

Stinnes will become a distribution and logistics company with annual sales of about DM25.3bn, based on 1996 figures.

It will shed its conventional bulk transport, inland shipping and recycling activities as well as managerial supervision of do-it-yourself outlets and tyre service businesses.

Mr Hartmann said Stinnes would be Europe's largest distribution and logistics business, concentrating on chemical distribution, land transport and trading in building materials and air freight.

Next year's initial public offering of up to 49 per cent of Stinnes would enable tbe company to finance its growth through the stock market. Analysts estimated its likely market capitalisation "in the low billions of D-Marks".

Veba will also merge its Raab Karcher and Veba Immobilien units to form an integrated real estate services group with annual sales of about DM2.1bn in a market that Mr Hartmann estimated would be worth DM40bn a year.

Mr Hartmann said the real estate group would be able to profit from future privatisations of public sector property in Germany. According to Hartmnt Moers, analyst with Westdeutsche Landesbank in Düsseldorf, the restructuring would help Veba to offer "bundled" services, including electricity, telecoms and security, to its tenants.

The international electronics trading business, comprising four Raab Karcher companies, will be grouped under a US management company based in San Jose. Based on 1996 figures, the four companies – Ebv, Memec, Rein and Wyle – have annual sales of DM4.8bn.

Veba also reshuffled its five-year investment plan, giving it an international emphasis and steering it towards chemicals, oil and the newly-constituted distribution, logistics and real estate division, while reducing spending on electricity generation and distribution from DM12.1bn to DM10.5bn.

Some DM16.1bn of total investments, worth DM32.5bn, will be spent outside Germany in the five years from 1998 to 2002.

See Lex

M&S to quit Israel after 20 years

By Judy Dempsey in Jerusalem

Marks and Spencer, the UK retail group, is pulling out of Israel, ending a 20-year partnership with Blue Square, the country'a largest retailing chain.

However, M&S will continue to buy fashion and food products from Israel, valued at $800m a year.

Yaacov Gelbard, president and chief executive of Blue Square, said the decision was made after two years of losses at M.S.I.F, M&S'a franchise in Israel.

Sales in its six retailing outlets amounted to Shk70m ($20m) last year, but losses were Shk2.5m, widening to Shk4m for the first nine months of this year.

Mr Gelbard said M&S faced a number of problems in consolidating its presence in a retailing sector that is becoming increasingly competitive.

"M&S is known for very good quality and good value. But the Israeli consumer found the goods too expensive," he said.

M&S also had insufficient space for developing its fashion outlets and was not located in prime areas.

"Its stores were too small – about 300 square metres – compared with Zara [the Spanish retailing group], which is opening stores with 1,500 square metres," said Tal Liani, analyst at Zannex Securities.

The UK group was also hampered by the high import tariffs levied on M&S goods sourced from outside Europe.

"This meant M&S relied on European textiles, which reduced cboice for the consumer," said Mr Liani.

Mr Gelbard, who is taking on the Zara franchise, said: "We had an opportunity to review the situation. But it was decided to close down the operations. It is a pity."

Derek Hayes, executive director of M&S for continental Europe and the Middle East, said the company remained committed to trading in Israel.

The loss of the franchise will not affect Blue Square, whicb in 1996 became Israel's first non-technology stock to be listed on Wall Street. Sales in the third quarter rose 7.1 per cent to Shk836.9m, and net income over the period rose 18.2 per cent to Shk19.78m.

Havas evolves the hands-on way

The lateat annnal report of Havas, the Frencb media business, displays a prominent photograpb of Pierre Dauzier, its chairman, but it is Eric Licoya, the managing director appointed this summer, who has exerted his influence over the group in the last few months.

In his office at Havas' Paris beadquarters, Mr Licoys in turn plays down the influence on the group of a third man: Jean-Marie Messier, chairman of Générale des Eaux, the French utilities group.

In February, Mr Messier announced a complicated share swap which turned Havas into the largest single shareholder in Canal Plus, the pay-television business, and made Générale des Eaux the biggest investor in Havas, with a 30 per cent stake and four boardroom seats.

Minority investors grumble that it is Mr Messier who now calls the shots and has in effect taken control of Havaa withont being required to make a full bid. So far, the French regulators and courts have supported the argument thet he is nothing more than an investor, and Mr Licoys agrees.

"I don't have the feeling that Générale des Eaux controls our group," be says. "Tbe strategy ia clearly established by Havas. If I identify new markets, they will be supported by our shareholders. . . .but Havas is managed independently."

'I don't feel Générale des Eaux controls our group. The strategy is established by Havas. If I identify markets, they will be supported by our shareholders. Havas is managed independently' – Eric Lycos, Havas managing director

He has known Mr Messier sinca 1990, when thay worked together at the fund management arm of Lazard Frères. At the end of 1996, Mr Messier, by then established as chairman of Générale des Eaux, hired him to handle the sale of some of the group's largest investments.

They discussed Havas "a little" at the time he was hired, but it was not one of his responsibilities. Once the transaction had taken place, he says, it was Pierre Dauzier wbo selected him as managing director.

"Havas was a group not used to disposals," says Mr Licoys. "It had developed by external growth. We are evolving, so we no longer manage Havus like a holding company, bnt in a more hands-on way. It was logical wheo Générale des Eaux took a stake that it should reinforce the management team."

There have been a number of disposals in the last few months, such as that of Havas Intermediation and the news magazine Le Point. Others, such as the sale of tbe magazine L'Express, have been halted.

"Now," Mr Licoya says, "we have to calm things down a bit and reassure our own troops. People have to stop thinking that Havas is for sale piece by piece."

He bas negotiated the unwinding of the group's unquoted 40 per cent stake in CLMM, exchanging it for a more liquid 19.6 per cent of Audiofina – a level which he says could just as easily rise as fall.

It is believed the group's 38 per cent stake in Havas Advertising could fall to 19 per cent during 1998. And Mr Licoys does not deny suggestions that a sale of its travel agency, Havas Voyages, is as likely to take the form of a trade sale as a stock market quotation. A decision is to be taken by tha and of this year.

That will still leave the group with a number of minority stakes. "To be a leader in communication, you are obliged to be present in every sector," he says, while adding: "If it works, you bave to increase in power and take control and manage stakes directly."

He stresses the need to build on Havas' cultural and educational strengths in the Anglo-Saxon market, "mutualising" products through alliances or joint ventures negotiated between its subsidiaries and international partners.

He also highlights the need to boost Havas' role as a multimedia content provider, notably through its link with the telecoms and internet activities of Générale des Eaux.

Andrew Jack

GE emerges as Ansaldo suitor

By James Blitz in Rome

General Electric, of the US, yesterday emerged as one of six companies that have formally declared an interest in forming a joint venture with Ansaldo, tha Italian state-owned energy and transport group.

Iri, the state holding company which controls Ansaldo through Finmeccanica, ona of the country's biggest industrial conglomerates, yesterday began to examine the expressions of interest from international bidders.

The other bidders are Daewoo, Siemens, GEC-Alsthom, Asea Brown Boveri and Fiat. J.P. Morgan, the US investment bank, is adviser to Iri.

The bidding is the latest attempt by Iri to break up Finmeccanica and forge joint ventures and alliances for some of its divisions.

Although Finmeccanica reported losses of about L1,950bn ($1.12bn) for the first six months of this year, parts of Ansaldo, especially its transport business, are considered attractive.

Reports in Italy yesterday indicated that GE could consider linking with Ansaldo through a consortium, involving other companies. Although Iri was not willing to comment on the idea, it did say that rival companies could form a consortium at a late stage of the bidding process.

KME, the world'a largest copper processor, yesterday revised upwards its 1997 pre-tax profit forecast to DM140m ($79.2m) and said it may raise its dividend. The upbeat outlook reflects strength in its rolled products division, which made the sheet copper cladding for the Netherlands' Science and Technology Museum in Amsterdam (above).

Russian gas group seeks up to $12bn

By John Thornhill in Moscow

Gazprom, Russia's gas monopoly, plans to raise between $9bn and $12bn of debt and equity capital before the end of the decade.

That would make it one of the biggest corporate issuers in any emerging market, and explains the ferocious competition among the world's most powerful investment banks to win mandates from tbe company.

Pyotr Rodionov, deputy chief executive, yesterday told an investor conference in Moscow that Gazprom would invest $40bn by 2005, mainly in developing the giant gas reserves in the Yamal peninsula. Gazprom's current capital expenditure is abont $5bn a year.

This summer, Gazprom mandated Goldman Sachs and ABN Amro to arrange a $2.5bn financing package, consisting of convertible bonds and a debnt eurobond. The roadshow for the convertible bond was due to begin in mid-November.

But this capital-raising exercise was delayed by the turbulence in the world's financial markets and is now expected to take place in the first half of 1998. Gazprom denied that the delay was linked to criticisms in the US Congress of its forthcoming investments in Iran.

Mr Rodionov said Gazprom planned to issue up to $2bn of American Depostary Shares within the next two years as it fulfilled its obligation to sell 9 per cent of its equity to foreign investors.

It would also issue $2bn of convertible bonds, half of which might be taken up by Royal Dutch/Shell. Gazprom would also raise $2bn-$3.5bn by means of secured financing and a furthar $1bn-$1.5bn of unsecured loans. Secured and unsecured eurobond issues could raise an additional $2bn-$3bn.

EUROPEAN NEWS DIGEST

Porsche sees 10% advance

Porsche, the German prestige sports carmaker, expects profits to improve again this year, although less dramatically than the near-tripling of net income in the year to July 1997. Wendelin Wiedeking, chairman, said the rise should be at least 10 per cent, compared with last year's 190 per cent rise to DM139m ($78.6m). The strong performance, after losses in the early 1990s, has been helped by its new Boxster convertible.

Turnover should exceed DM4.5bn. This compares with last year's DM4.1bn, which was 46 per cent higher than in 1995-96, but 31 per cent higher after the consolidation of the US and Spanish subsidiaries. In the first four months to end-November, turnover was 13 per cent higher at DM1.28bn. Unit sales rose 16 per cent to 9,700. For the full year, Porsche expects to sell at least 38,000 cars; last year, sales rose 68 per cent to 32,380 cars. As well as introducing the Boxster a year ago, Porsche revamped its classic 911 marque. Exports to North America rose 85 per cent last year to 12,860 cars. Exports elsewhere were 54 per cent higher at 9,855. Sharp sales increases were recorded in Japan, where Porsche is taking control of imports and sales, the UK, Italy and Germany.

Andrew Fisher, Frankfurt

■ RUSSIA

Volvo mulls Russian bus plant

Volvo, the Swedish carmaker, is considering building a bus assembly plant in Russia. The company, which yesterday signed a memorandum of understanding with the Russian government, said it was close to agreeing a deal to build and supply buses in the town of Omsk.

The contract, initially involving production of about 100 municipal buses, would represent Volvo'a first manufacturing investment in the former Soviet Union. Leif Johansson, chief executive, said a plant could be built within two years.

He gave no indication of the likely investment involved, but predicted it would have a capacity of between 1,000 and 2,000 buses a year.

Mr Johansson yesterday discussed the deal with Boris Nemtsov, Russia's first deputy prime minister, who visited Volvo'a Gothenburg headquarters following a three-day visit to Sweden by Boris Yeltsin, president. According to the memorandum signed by Volvo and Russian transport officials, the Swedish manufacturer plans to "expand its industrial and commercial preseoce in Russia, beginning with the production of buses and trucks".

Last week, Mr Johansson indicated Volvo intended to scale back its growth plans in Asia and refocus on investment in eastern Europe. The company completed a truck and bus assembly plant at Wroclaw in Poland this year, and is thought to be considering other joint ventures and investments in the region.

Tim Burt, Stockholm

■ FRANCE

Renault in talks with NTN

Renault, tha French carmaker, said yesterday it was in talks with NTN of Japan which could lead to a joint venture to make constant velocity joints in the Le Mans region of western France. It said the project could result in an investment of FFr1.5bn ($253.4m) by the Japanese equipment manufacturer. CVJs are rapidly replacing the wheel-end tripod joints the French company manufactures in Le Mans. Yesterday's development comes as Toyota, Japan's biggest carmaker, is poised to announce plans to build a FFr3.5bn car assembly plant in France.

David Owen, Paris

■ POLISH BANKING

S&P gives Pekao BBB– rating

Poland's state-owned Pekao SA commercial banking group, which is due to be partially privatised next spring, has been given a BBB– long-term credit rating by Standard and Poor's, the credit rating agency. Andrzej Dorosz, president of the bank, said yesterday a draft prospectus on the planned equity sale would be sent to Poland'a Securities Commission (KPW) this month. He expects 15 per cent of the bank'a equity to be floated on the Warsaw Stock Exchange in April.

The state treasury, which is responsible for the sale, is being advised by CSFB; Salomon Brothers has advised Pekao SA throughont the rating procedure. Under plans approved by Poland's previous government, a secondary offering of new and existing equity equal to 25 per cent of the bank's value is to be floated in 1999. Mr Dorosz said the bank'a 10-month results showed a net profit of 540.3m zlotys ($154m), up 4 per cent on last year.

Christopher Bobinski, Warsaw

■ ITALY

BASF inks plant still closed

Production at German group BASF's printing inks plant near Milan remained closed yesterday. The closure of the 40,000 metric tons-a-year unit in Cinisello Balsamo follows an explosion on Tuesday that injured 13 employees. The cause of the explosion is still not known.

APDJ, London

Olympus $50m hedge fund targets Europe

By Jonathan Ford

Recent turmoil in European equity markets has not dampened the appetits of hedge fund investors for continental equities.

Olympus, a London-based hedge fund which starts trading today is understood to have raised about $50m to invest in European equity markets.

It is the second European hedge fund to have started trading in the past two months. Adelphi, which has assets of around $75m, was launched on October 1.

Two other funds are raising capital with the intention of launching next year. Marshall Wace, a partnership between former senior employees of Mercury Asset Management and Deutsche Morgan Grenfell, and Beaver Creek, an arbitrage fund headed by two former Salomon Brothers bankers.

According to analysts, demand for new European funds comes principally from US investors who are seeking exposure to the continent's equity markets – a trend that does not seem to have been checked by recent volatility.

"Investors think there are a lot of opportunities in Europe because of all the corporate restructuring that monetary union is expected to cause," said Nicola Meaden, a director of Tass, a research company.

Existing European equity funds have performed strongly in the past two years as regional economies have recovered and continental companies have started to restructure ahead of monetary union.

Sloane Robinson, which established its European fund in January 1994, has generated an annual return of 22 per cent in dollar terms since inception. Egerton, one of the largest existing European funds with assets of $1bn, has produced annual returns of 31 per cent since its inception in December 1994.

Olympus was set up by Dr Ton Tjia, formerly a director of Schroder Investment Management, and Philip van den Berg, former director of European equities at Deutsche Morgan Grenfell.

Dr Tjia said much of the fund's money came from US institutional investors. "Seasoned US hedge fund investors see volatile markets as a positive thing, because they throw up a lot of mispricing that creates arbitrage opportunities."

European investors, who tend to be wealthy individuals, had been less confident, he said.

Olympus will invest a minimum of 80 per cent of investable assets in listed European equities, including UK stocks. Up to 20 per cent of the fund has been set aside for non-European atocks with businesses which have a strong European presence.

Dr Tjia said he thought European hedge funds were set for a period of growth, in part because of monetary union but also because the sector remained under-represented. "In the US, there are around 3,000 hedge funds, while there are only about 12 serious funds based in Europe," he said.

Singer to cut 6,000 jobs as costs rise

By Richard Waters in New York

Singer, the world's biggest sewing machine maker, yesterday disclosed plans to cnt nearly 6,000 jobs, or 28 per cent of its workforce, prompted by rising costs and the economic turmoil in east Asia.

The company, based in Hong Kong but listed in New York, has been reeling since the summer from the devaluation in Thailand, its biggest single market. Asia represented about 40 per cent of sales and 60 per cent of profits last year, Singer said.

However, Stephen Goodman, an ontsider who was brought in as chief executive yesterday to perform the role of company doctor, said there had been a steady deterioration in Singer's competitiveness in recent years, resulting in particular from high labour costs in a number of countries, including Germany and Japan.

The plans outlined yesterday will take three years to push through and will lead eventually to annual savings of $104m, according to the company.

They reflect an attempt to shift the focus of Singer's manufacturing operations to lower-cost countries, and to close excess capacity to keep pace with the contraction in Singer's markets.

The company refused to put specific numbers on the job cuts at its manufacturing plants around the world. Mr Goodman said, though, that the biggest cuts would come at a plant outside São Paulo in Brazil, where rising wages and strikes had eaten into the company's competitiveness. Labour costs there had risen to $18 an bour, compared with the $3 an bour that Singer would pay at a new plant it was expanding in Northern Brazil, he added.

Further big cuts are expected in Germany, where the company bas 2,100 workers after its recent acquisition of Pfaff, a German sewing machine maker. Mr Goodman added that Singer would open a new, smaller plant in Germany.

The retrenchment will lead to a pre-tax charge of $186m this year, some $146m of which is due to the severance costs.

To pay for this, and raise the $76m Singer has earmarked for new investment in lower-cost locations, the company hopes to raise $220m, net of tax, by selling the land and buildings it will not need.

Mr Goodman, a former head of mergers and acquisitions for Bankers Trust in Asia, was named chief executive in place of James Ting, the Chinese-Canadian businessman who took control of Singer in 1989 and who will remain its chairman. Despite the drastic cut-backs, Mr Goodman said Singer would stick to its strategy of focusing on the emerging markets of Asie and Latin America.

Canadian banks benefit from surging markets

By Scott Morrison in Toronto

A strong economy and surging markets helped Canada's five big banks to record annual profits. A large share of the earnings came from investment banking, brokerage and mntual funds businesses, while loan revenues were also up as domestic demand strengthened throughout the year.

The Canadian Imperial Bank of Commerce, the nation's second largest, yesterday reported earnings for the year to October up 14 per cent to almost C$1.6bn (US$1.13bn). The bank said that its core businesses bad solid earnings performances.

CIBC's results followed strong reports from the other four big institutions over the past two weeks.

Royal Bank of Canada this week reported net earnings up 17 per cent to C$1.7bn, tbe country's largest-ever corporate profit. The result was boosted by the performance of its fee-based businesses.

Bank of Montreal said net income rose almost 12 per cent to C$1.3bn on strong business volume growth, cash collections of impaired loans and earnings on bonds and equities of developing countries.

Bank of Nova Scotia, the most international of Canada's banks, reported record profits of C$1.5bn, up 42 per cent on last year due to strong growth of its corporate and investment banking divisions.

Toronto Dominion Bank revealed earnings of C$1.1bn, a record, up 19 per cent from 1996. The rise reflected the growth of TD's investment banking, brokerage and mutual fund businesses.

Bank stocks soared throughout 1997, with the Toronto stock exchange's banks and trust index rising 44 per cent.

Bank earnings are expected to continue growing next year, although not at the rate seen in 1997.

Analysts expect the growth of corporate and investment bank earnings will slow in the new year, but a shift toward retail and consumer bank earnings should compensate.

Net earnings at Canada's banks are expected to increase between 10 per cent and 15 per cent next year.

Disney dips 1.5% after Eisner sells 4m shares

By Christopher Parkes in Los Angeles

Walt Disney's share price fell in a rising market early yesterday, a day after Michael Eisner, chairman and chief executive, exercised 7.3m stock options and immediately sold 4m.

The gronp's shares, bolstered by recent record results for 1996-97, dipped more than 1.5 per cent to $93¾ from Wednesday's closing price of $95¼.

Mr Eisner acknowledged that the exercise of options, granted in 1989 and due to expire next year, would "undoubtedly cause much discussion".

Widely credited with the revival of Disnsy from also-ran status to being the entertainment industry leader, Mr Eisner earns a relatively modest $750,000 a year in basic pay. His rewards have been substantially boosted in the 14 years he has run the company by option incentives whicb have bslped build his fortune to an estimated $760m.

Although Mr Eisner's performance is much admired in the investment community, there is concern about apparent weaknesses in the group's compensation system which were exposed by the estimated $100m pay-off for Michael Ovitz, wbo left Disney a year ago after only 14 lecklustre montbs as group president. A lawsuit filed by Jeffrey Katzenberg, former studio chief, claiming $250m in unpaid bonuses, bas attracted more unwelcome attention.

The net effect of this week's dealings on Mr Eisner's personal stake in the company was to increase his holding from 2m shares to 3.6m shares.

See Lex

Coteminas launches R$107.3m global issue

By Jonathan Wheatley in São Paulo

Coteminas, a Brazilian textiles manufacturer, has launched a global offering of 290m ordinary sbares at a total value of R$107.3m (US$97.5m) – the first by a Brazilian company since the start of the crisis on Asian financial markets.

Brazilian investors will get 60 per cent of the offer but the remainder will be placed on US and international markets in the form of Global Depositary Shares.

José Olympio Pereira, of Banco Garantia, which lead-managed the offer in Brazil and through its overseas affiliates, said the offer had been delayed by the crisis but bad attrscted interest from institutional investors taking a long-term view.

"We started [our road-show] in the week of October 27, whicb was the worst possible time," be said. "But taking the timing into account, we have achieved a very positive price. Investors were impressed by the quality of Coteminas's management and by its growth prospects."

The offering was priced at R$370 per 1,000 shares, a discount of 7.7 per cent to the share's most recent traded price in Brazil, of R$398 on Tuesday.

The GDSs are offered at $16.66, each representing 50 shares.

Coteminas is one of Brazil's biggest and most modern textile companies. It recorded profits of R$34m in the nine months to September on turnover of R$158m.

Mr Pereira said that Coteminas would use the funds raised to increase its manufacturing capacity at plants in the north-east of Brazil.

'Chain' of online music stores planned

By Alice Rawsthorn

N2K, the US online entertainment group which floated on Nasdaq this antumn, plans to turn Music Boulevard, one of the largest US internet retailers, into e worldwide "chain" of virtual music and video stores.

Larry Rosen, chairman and chief executive of N2K, said he hoped to launch a Japanese-language version of Music Boulevard, based in Japan, oext spring. He intends to establish similar operations in Europe, starting in Germany and the UK, by the end of 1998.

N2K's international expansion comes at a time wben establisbed retailers, including Tower Records of the US and HMV, a subsidiary of EMI, the UK entertainment group, are diversifying into the fast-growing online music market.

Until recently, the market was dominated by specialists sucb as Music Boulevard and CDnow, which last week filed for an initial public offering in New York to raise up to $60m.

Several US retailers, including Tower and Camelot, have started selling music and videos over the internet, as have Sony and Bertelsmann's record companies. UK retailers, notably HMV and Virgin, intend to follow in the new year.

Mr Rosen, who set up N2K in 1995 after making a fortune from the sale of GRP, the jazz record label he co-founded, said Music Boulevard needed local operations if it was to compete in the international online market.

It supplies consumers outside the US by air mail or courier. Mr Rosen said international subsidiaries would be able to tailor prodnct ranges to suit local needs, and increase sales by offering faster, cheaper delivery.

A global network of internet record stores would also smooth N2K's relations with record companies concerned that price differentials could be eroded if European and Asian consumers continue to order online from the US.

Mr Rosen said he had concluded negotiations with an investor in Japan to establish a marketing and distribution operation for Music Boulevard there. He is still looking for partners in Europe.

Internet music retailers hear an upbeat tempo

Rapid growth is expected but costs will be high

Miles Davis: vain search for one of his albums led to CDnow

After Jason Olim and his twin brother, Matthew, had wasted weeks failing to track down an obscure Miles Davis album, they borrowed $20,000 to set up CDnow, an internet record store, from their parents' home in Philadelphia.

Three years later, the Olims have filed for an initial public offering in New York to raise up to $60m to help them expand their business. Like many start-ups, CDnow owes its early success to entrepreneurial enthusiasm, but its future will be dstermined by its ability to compete in an increasingly aggressive and sxpensive market.

Tower Records, Camelot Music and other conventional US record retailers have now set up internet stores, as have record companies such as BMG and Sony. N2K, which owns Music Boulevard, CDnow's rival online specialist, recently raised $63.3m from a Nasdaq flotation to finance its expansion, and CDnow needs to follow suit.

The online music market is still relatively small, but it is expected to show spectacular growth. Jupiter, a US research consultancy, predicts sales will rise from $47m this year to $1.64bn – or 7.5 per cent of global record sales – in 2002, as internet access increases.

Initially, traditional record labels and retailers were sceptical about the internet. But the progress of CDnow and N2K, founded by Larry Rosen, has encouraged them to go online. Both companies are still loss-making, bnt each mustered sales of more than $3.5m in the third quarter of this year.

Mr Rosen claims that "brick and mortar retailers" do not understand the demands of operating online. "To them, it's just like setting up another store," he says. However, Jupiter's research into online bookselling suggests many consumers feel more confident when ordering from familiar names such as the Barnes & Noble book chain, rather than from internet specialists like Amazon.com.

N2K and CDnow are trying to ward off online competition from traditional retailers by stepping up their investment in marketing.

Both companies have spent more money on advertising, on and off the internet. They have also negotiated exclusivs placement rights with internet sites or search enginss, wbereby consumers click on their logos to go to the Music Boulevard and CDnow sites.

N2K used part of the proceeds of its share issue to pay the advance on an $18m placement agreement with America Online. One reason for CDnow's proposed flotation is to finance s similar $5.5m deal with the Yahoo and Excite search engines.

Until now, the two companies have concentrated their marketing efforts on North America. They sell to consumers in other countries, but charge higher postage rates. Music Boulevard generates a quarter of its turnover in Asia and Europe, but Mr Rosen expects the those markets to expand rapidly as internet usage increases.

A couple of specialist internet record stores are already established outsids North America, notably IMVS.com, a UK company quoted on Ofex in London. IMVS generates monthly sales of £50,000, 10 times more than a year ago, according to David Windsor-Clive, chairman.

Several UK record retailers plan to launch internet stores early next year, inclnding Virgin Megastores, the EMI Group's HMV cbain and Tower's UK subsidiary. All three planned to start online sales this autumn, but have delayed to complete work on their sites.

N2K is keen to establish versions of Music Boulevard

Online music

Worldwide sales, estimated

	$m
1997	47
1998	110
1999	240
2000	505
2001	956
2002	1,640

Source: Jupiter Communications

outside North America before the local competition strengthens. Mr Rosen plans to start in Japan next spring, and to move into Europe later in the year.

He expects to finance the launch of the international operations from N2K's flotation proceeds. Like otber internet record stores, N2K may soon have to make substantial investments in software to deliver albums and singles directly to consumers' computers as digital signals, rather than sending compact discs by the post.

Mr Rosen claims such investments are essential if N2K is to remain competitive against traditional retailers. But the cost of placement deals, expansion and software advances may prove too much for smaller companies.

IMVS bopes to diversify into other European countries next year, but Mr Windsor-Clive bas already accepted that some areas of the online music market are too expensive. "Paying millions of dollars for placement rights is out of the question," he says. "The Americans might be able to afford them, but we can't."

Alice Rawsthorn

Record revenues for Deloittes

By Jim Kelly, Accountancy Correspondent

Deloitte Touche Tohmatsu International, one of the global Big Six accounting firms, yesterday reported record revenues of $7.4bn for 1997, up 14 per cent from the $6.5bn of the previous year.

The firm said it would maintain its current strategy in spite of consolidation in the sector. Ed Kangas, world chairman, said: "Our results confirm that we bave the momentum to remain successful, attract the best people and thrive in today's marketplace."

DTTI and Andersen's – the two Big Six firms not involved in merger plans – have said they will be able to grow and serve clients without consolidation, and both expect to pick up clients as the sector reorganises.

In the UK, Deloitte & Touche said that in the year to September fees rose 10.4 per cent to $748m. Revenues from consulting services grew by 15.5 per cent.

"Our results validate our position that robust competition is the best platform for providing our clients with outstanding service," said Mr Kangas. He added that the firm's consulting practice had helped bolster growth.

The firm's position in the Asia-Pacific region had been helped by a merger with Kwan Wong Tan & Fong, of Hong Kong.

Unwinding of last large agreements brings the UK gas supplier more in line with competition

Centrica settles further contracts

By Virginia Marsh

Centrica, the gas supply business demerged from British Gas, has unwound the last of its large, high-cost 'take or pay' contracts, bringing the average price it pays for gas to within 15 per cent of market rates.

It said yesterday it had agreed to pay compensation of £365m ($610m) before tax to Conoco, Elf and Total, for "substantial price reductions" on long-term contracts covering about 6bn therms.

Centrica's shares closed up 2¾p at 92½p.

"This deal removes one of the main perceived risks attached to Centrica. It is also an endorsement of management which has achieved one of its main objectives on budget and on time," an analyst said.

The 'take or pay' contracts – inherited from British Gas and mainly struck in the 1980s – committed Centrica to buying North Sea gas it no longer needs at prices well above market rates.

It is understood that the contracts settled yesterday were priced at more than 25p a therm, compared with market rates of about 14p. It is thought the move will shave another 1p off Centrica's average payment per therm, putting the average 1p to 2p above the market rate, down from 5p above the rate when renegotiation of the contracts began two years ago.

Analysts said Centrica's price commitments were now "manageable" vis-a-vis competitors, given the strength of the British Gas brand.

"The company will probably renegotiate more of the contracts but you could say that, for the first time, they no longer have to as they are within a close enough range of the competition," said Howard Cattermole of Fleming Securities.

Centrica had aimed to settle the bulk of the contracts before next April when competition is introduced in the UK gas market.

It said yesterday that, in broad terms, "about 70 per cent of the problem" had been resolved and that it had now negotiated reduced prices and volumes on some 46bn therms. The cost so far is about £750m and the total is not expected to be much more than £1bn.

Before the renegotiations, Centrica's theoretical liability was £1.8bn-£2bn, stretching over 10-15 years, with most of this concentrated in the next five years.

Centrica will charge the £365m payment to this year's accounts, pushing it into large losses. It is also to take a £75m provision against possible further compensation to the three companies, to be assessed in 2008.

Shell and Esso are the only large gas producers still to settle with Centrica.

Roy Gardner, Centrica's chief executive

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Abbeycrest	6 mths to Aug 31	25.2	(25.4)	0.308	(0.188)	0.9	(0.5)	1.5	Jan 6	1.3	-	3.8
Avon Rubber	Yr to Sept 27	290.6	(347.5)	26.4♥	(21.5)	70.6	(50.6)	15★	Jan 30	13.75	21.15	16.5
Barcom	Yr to Sept 30	56.1	(52.5)	4	(2.72)	7.1†	(5.1)	1	Mar 10	0.8	1.5	1.2
Birkby	6 mths to Sept 30⁑	23.6	(28.6)	4.97	(6.26♥)	7.6	(9.6)	2.5	Mar 27	2.3	-	8.5
Border Television	6 mths to Oct 31	7.78	(6.73)	0.82♠	(1.52)	5.2	(9)	2.7	Mar 10	2.7	-	7
Castings	6 mths to Sept 30	30.8	(29.6)	4.71	(4.28)	7.56	(6.68)	1.68	Jan 17	1.43	-	4.98
Denby	Yr to Sept 30	36.5	(33.1)	6.63	(6.08)	13.5	(12.2)	3	Jan 23	2.7	4.55	4.05
Dewhurst	Yr to Sept 28	17	(15.3)	1.2	(0.777)	7.27	(4.58)	1.92	Mar 2	1.8	2.88	2.73
Expro Intl	6 mths to Sept 30	61.6	(49.9)	10	(8.04)	11.7	(9.5)	3.05	Jan 30	2.65	-	8
GEC	6 mths to Sept 30	5,116	(5,055)	442	(261♠)	10.1	(5.5)	3.43	Mar 31	3.26	-	13.15
Grand Metropolitan	Yr to Sept 30	6,174	(8,974)	834♠	(388♠)	25.1	(2.4)	nil	-	10.05	6.25	15.9
GUS	6 mths to Sept 30	1,504	(1,220)	254.1♥	(236.8♥)	17.3	(15.6)	6	Feb 27	5.5	-	16
Greencore ♣	Yr to Sept 26	466.9	(459)	49.7♠	(54.6♠)	22.4†	(25.3)	5.1	Feb 16	4.5	7.7	6.8
Hanson	9 mths to Sept 30§	1,868	(1,828)	131.1♠	(-)	15.5	(-)	-	-	-	-	-
Hewitt	Yr to Sept 30	46.3	(55.5)	2.05	(6.3♥)	2†	(5.8)	1.2	Apr 6	1.15	1.725	1.65
Jones & Shipman	6 mths to Sept 30	9.16	(9.4)	0.288L	(0.609)	1L	(2.2)	nil	-	0.5	-	1.5
Manx & Overseas Φ	Yr to Sept 30	10.3	(10.1)	1.49L♠	(0.34)	2.54L	(0.51)	nil	-	0.325	nil	0.325
ML	6 mths to Sept 30	50.7	(49.2)	7.17♥	(3.77)	3.2	(1.6)	0.5	Jan 6	0.4	-	1.6
Salvesen (Christian)	6 mths to Sept 30	355.2	(381.3)	47.6♥	(51.8)	10.46	(12.3)	3.9	Feb 2	3.8#	-	6.15##
Stakis	Yr to Sept 28	307	(205.6)	56	(29.2♠)	6.58	(5.44)	1.45	Apr 7	1.2	2.5	2.15
TLG	6 mths to Sept 30	190.5	(186.9)	10	(8.3)	3.41	(2.95)	1.5★	Feb 13	1.4	-	4.3
Victoria	6 mths to Sept 30	18.8	(18.9)	0.082	(2♥)	0.82	(27.2)	-	-	-	-	2.5

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Israel Fund 5	6 mths to Sep 30⁑	-	(-)	0.733	(0.205L)	0.48†	(0.13L)	-	-	-	-	-
Prelude	6 mths to Sept 30	98.2	(-)	0.256	(-)	1.2	(-)	-	-	-	-	-
Schroder AsiaPacific	Yr to Sept 30	91.36	(110.62)	0.484	(0.512)	0.35	(0.37)	0.5	Feb 13	0.2	0.5	0.2

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. ★Foreign income dividend. †On increased capital. ⁑Comparatives pro forma. ♣Irish currency. §Pro forma. ΦAim stock. #Excludes dividend enhancement. ##Excludes special. $US currency.

Diageo poised for US go-ahead

By John Willman, Consumer Industries Editor

Approval from the US competition authorities for the £22bn ($36.7bn) merger of Grand Metropolitan and Guinness is likely next week, John McGrath, GrandMet's chief executive said yesterday.

Diageo, as the new group will be called, will have about 60 per cent of the US standard scotch market and has offered to sell Dewar's, the leading brand there.

Mr McGrath, who will be chief executive of the merged group, refused to comment on the expected disposal of Dewar's, or rumours that it would have to sell Bombay Sapphire, a premium gin.

But he said the Federal Trade Commission would issue its ruling before December 17 when trading begins in shares of Diageo. The disposals under discussion would not affect more than 5 per cent of profits before tax, interest and exceptional items, he said.

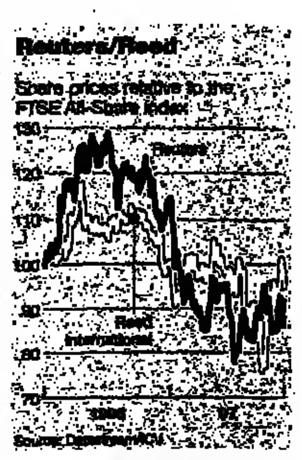
His comments came as GrandMet announced its last set of results before the merger, with a 1.7 per cent increase in pre-tax profits before exceptional items to £981m. The figure was depressed by the strong pound, which cut a net £58m from profits. Turnover fell 9 per cent to £8.17bn, but sales in continuing businesses rose 5 per cent before exchange rate changes.

The company took a £135m exceptional charge on the sale of businesses, of which £65m was in respect of goodwill previously written off to reserves. These included £54m on the sale of its 50 per cent stake in the Inntrepreneur Pub Company, and £39m for the Aunt Nellie's Farm Kitchens business of its Pillsbury food division.

LEX COMMENT

Reuters

That Reuters is disgorging another £1.5bn of spare cash reflects a poverty of ambition. This is not a dead-end utility but a group well-positioned to take advantage of fast-growing electronic information markets. That said, having decided on cautious rather than breakneck expansion, Reuters is right to give shareholders the money. Apart from anything else, the move will cut its cost of capital. Reuters has also given the lie to the theory that big capital restructurings will not be tax-efficient in the UK until the newly-announced corporation tax regime takes effect in 1999. Its scheme – creating a new Reuters to buy the old Reuters with a mixture of cash and shares – could be adopted by any company.



Reed/Wolters

Reed Elsevier, which is planning to merge with rival publisher Wolters Kluwer, looks an increasingly bedraggled bride. Based on yesterday's trading statement, Reed will be lucky to produce flat profits for 1997, even before £200m or so of exceptional costs to sort out the debacle at its travel division.

Since these problems came to light just before the merger was sealed, there is no reason for renegotiating the terms. But the fact that Reed's shares have jumped 17 per cent since the deal was announced, while Wolters Kluwer's have risen just 4 per cent, confirms the initial impression that Kluwer's shareholders have got the short end of the stick.

Reed Elsevier gives provisions warning

By Christopher Price

Reed Elsevier, the media and electronic publishing group, yesterday set out the timetable for its £20bn ($33.4bn) merger with Wolters Kluwer, with details to be issued on March 27. Shareholders from the three companies will vote on the proposals a month later.

The Anglo-Dutch company, which updated shareholders with a trading statement, warned of "substantial provisions" in this year's results. These would mostly relate to Reed Travel, the travel directories division, which in September reported irregularities in its circulation figures.

Compensation to advertisers and a write-down of assets have led analysts to expect exceptional provisions of about £200m.

Mark Armour, financial officer, said trading in the rest of the group was in line with market expectations.

Italian defence with a strong French accent

Andrew Edgecliffe-Johnson and **David Owen** on the future of the GEC Alsthom alliance

The future of the Anglo-French power and transport group, GEC Alsthom, has been settled by what Lord Simpson, GEC's managing director, describes as "the Italian defence".

The allusion is to football rather than military electronics and describes the "man-to-man marking" by which GEC and Alcatel, the joint venture's parents, have fixed on a flotation expected to value the business at about £4bn ($6.7bn).

The notion of the two companies ending up with equal stakes, equal board representation and equal rights in the new company was not originally on the cards. GEC wanted to demerge its stake to its shareholders, while Alcatel is understood to have considered a public offering for part of its stake.

That solution would have meant turning the Dutch-registered joint venture into a UK-based company – an outcome that Alcatel would have been unlikely to allow without securing concessions in return.

Nor would GEC's shareholders have had a block against the intentions of Alcatel, which would have retained a dominant stake in GEC Alsthom. The French company, meanwhile, saw tax problems in a demerger.

The solution has distinct Anglo-Saxon elements, but some analysts suspect Alsthom (which will drop GEC's name once it becomes independent) will be a very French company.

Following a flotation within the first six months of 1998, Alsthom will be registered as a French company, and apply for listings in Paris, London and New York. Its president and chief executive is expected to be a Frenchman, Pierre Bilger.

Both parents will retain 24 per cent stakes, which they have agreed to hold for at least a year. GEC would not say what its plans are after that date, but it is not expected to be a long-term holder.

Lord Simpson said the timing of the Alsthom flotation was apposite, given the strong interim results GEC announced yesterday. Analysts were less sure, and their estimates of its value range from £3.5bn to £4.9bn.

Analysts pointed out that GEC Alsthom's five divisions had had mixed fortunes. The largest, power generation, faces intense competition from larger rivals. Like-for-like sales fell 2 per cent because of slower turbine deliveries; after translation into sterling reported sales were 17 per cent down.

Mark Davies-Jones of Salomon Brothers warned that Alsthom's valuation might be depressed by the global overcapacity in the power generation market and the fact that Alsthom's rivals in transport equipment were having a tougher time.

One drawback of the flotation, he added, was that the new Alsthom would effectively be bid-proof, at least until GEC decided what to do with its 24 per cent stake, and that the stake could overhang the market.

Few analysts quibble with the strategic benefits for GEC or Alcatel. From GEC's point of view, the joint venture's formation in 1989 was a defensive move to find new customers as privatisation took hold in the UK. That rationale has faded and the flotation is a key step in getting away from the joint-venture culture of Lord Simpson's predecessor, Lord Weinstock.

For Alcatel the planned initial public offering will mark a further important step in a reshaping first outlined by Serge Tchuruk, chairman, more than a year ago. This will see the French group refocus on its core telecommunications business while retaining important interests in transport, energy and defence.

In Paris, Mr Tchuruk indicated that he saw an advantage in maintaining a presence in two sectors his group knew well and in acting as "an intelligent shareholder".

He said GEC Alsthom had been "imprisoned" by the need to consult its two shareholders for strategic decisions and a flotation would allow it to "take its destiny in hand". This will entail some change to its capital structure, probably through an "extraordinary dividend" to the parent companies from cash reserves exceeding £1bn.

Significantly, Mr Tchuruk also said Alcatel had been blocked from bringing "coherence" to its energy assets, which include 44 per cent of Framatome, the nuclear engineering group.

Attempts to merge Framatome and GEC Alsthom collapsed in April. Yesterday's GEC Alsthom announcement was a "first unblocking" of this problem, Mr Tchuruk said.

Many observers suspect French authorities see the flotation as a prelude to combining Framatome and GEC Alsthom. Analysts believe any such efforts will continue to meet stiff resistance from GEC – as long as it remains an Alsthom shareholder.

The Italian defence is not over yet.

GEC £300m share buy-back

GEC is to return £300m ($501m) of cash to shareholders by buying back its own shares, lifting their value writes Andrew Edgecliffe-Johnson.

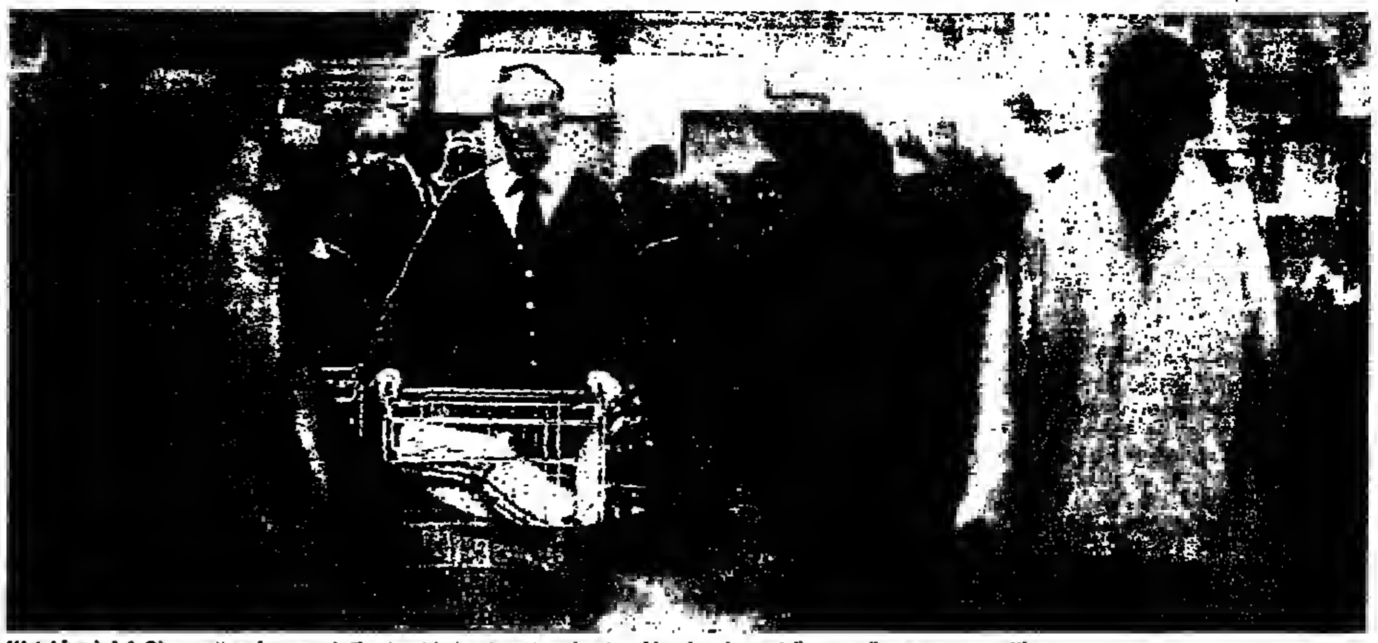
Although GEC took authority for a buy-back of up to 400m shares, costing £1.6bn, at its last annual meeting, John Mayo, finance director, said the scale of the move was determined by the company's advance corporation tax position and foreign dividend income. Lord Simpson, managing director, said further buy-backs were possible if GEC did not find acquisitions that were more attractive.

The buy-back was unveiled alongside pre-tax profits of £442m for the six months to September 30, compared to £261m last time. The company said the figure represented an underlying rise of 5 per cent when last year's £250m charge from exceptional disposal losses was excluded, and came despite a £24m blow from currency movements.

MANAGEMENT

Watching how different types of people use goods and services can supply useful information, says **Alison Smith**

Shoppers under the microscope



Watching brief: Observational research "is about trying to get under the skin of real people", according to one practitioner

The scene is a US convenianace store: "cappuccino devotaes" stride confidently towards the coffee dispenser, while "clandestina consumers" consider a range of snacks after choosing their main purchase, and "explicit treaters" wander in search of somathing to satisfy a vague desire before selecting the familiar comfort of a chocolate bar.

Clearly, researchers wanting to understand more about consumer habits would learn little about these shoppers merely by analysing how often people visited the store. But by using a technique called observational research – watching how different types of people use goods and services – a fuller picture can be obtained.

By watching what happened in the convenience store, E-Lab, a Chicago-based research consultancy, was able to adviae PepsiCo, the international food and soft drinks group, on where and how to position its products in order to get higher sales.

Observing how people behave in different surroundings or how they handle pieces of equipment is valuable in helping a company meet a specified aim, such as entering a new market, and in developing products to meet future needs that consumers have not yet recognised.

Observational research ranges from the distant to the intimate. For some projects, studying footage of people browsing in a shopping mall or negotiating their way through an airport can be appropriate. For others, researchers spend time with subjects as they use the product at home or work.

Observing how people behave is valuable in helping a company meet a specified aim

"It's a matter of trying to get under the skin of real people," says Tim Brown, European director of Ideo, a product development company. For example, watching a travel agent set up a conference call by arranging a speaker phone for each person and putting the handsets together demonstrated how she equated one phone with one person – an insight Ideo used in its advice on phone software to AT&T, the US telecoms operator.

Finding the right people to watch is critical for techniques that involve observation of a few individuals or households. In contrast to conventional markat research, where consumers are chosen because they fit squarely in the middle of particular categories, consumers picked for shadowing are intended, as Mr Brown says, to "hit the edges".

This might involve selecting people who are "early adapters" to new technology, and those most resistant to it; or people using the product in an unusual environment.

In the UK the process can still be informal, while in the US selection is itself a business. "We use an outside agency – which mainly handles focus groups – to screen and recruit participants," says Liz Sandera, head of research at Fitch, the design consultancy, in Ohio.

One factor driving the growth of observational research is technology. Advances in photography and video recording maka it easier to obtain and analyse the observations, increasing the research's value. Secondly, technology is itself an area where consumers may not be well-placed to articulate needs that could be met by a new generation of computers, telephones or other machines.

Fitch used observational research when it was advising Compaq, the computer company, on the design of the Presario personal computer. "By working with consumers in their homes, we came to the realisation that a computer should be more friendly for home use," says John Fillingham, director of policy research at Fitch in the UK. "For example, the Presario's features include a compact disc rack and a great pair of speakers – it looks more like a consumer product."

He adds, however, that while observation shows researchers what people do, it does not tell them why. "A combination of observation and what consumers say about what they do gives you an ability to cross-check."

Dorothy Leonard, writing in the current issue of the Harvard Business Review, identifies five types of information available from observation. Apart from needs that consumers have not yet articulated, they are: the triggers that prompt people to use a product or service; how the product relates to the consumer's environment; how consumers customise the product (and so how manufacturers can make those modifications for them); and the intangible qualities consumers value in the product.

Some consultants believe observational techniques can contribute even in the area of brand identity, provided the observations are evaluated properly. This goes well beyond whether packaging is convenient to open or whether a software programme is easy to use.

"Every kind of behaviour has a particular framework and theory," says Rick Robinsnn of E-Lab. "It's a matter of finding the meaningful pattern."

Steelcase, the US office furniture company, wanted to shift from being rooted in manufacturing excellence to being based on understanding work processes. Observational research helped it develop the new identity, and design its showrooms to encourage customers to buy on the basis of that understanding.

When difference is the best policy

Research shows that techniques once thought to lead to corporate excellence have pitfalls, reports **Alan Cane**

A former general manager of Nestlé's US operations and an Oxford University academic have poured cold water on one of today's most pervasive management panaceas: the idea that copying "best practice" is a path to corporate excellence.

Augustus van Nievelt, president of VN International in the US, and Leslie Willcocks, a management academic from Templeton College, Oxford, base their conclusion on data from 300 companies going back more than 10 years. "Best practice can be extremely dangerous," they argue. It is, they say, like telling the worst students in a class to imitate the study habits of the best. "Such an experiment is likely to have a disastrous effect on the unfortunate laggards who need assistance at a much more basic level."

Best practice, business process re-engineering, total quality management, and benchmarking are all management techniques that attempt to combine information technology with corporate reorganisation aimed at improving efficiency and competitiveness. They have enjoyed fitful popularity since the 1980s. None of them, however, has proved consistently successful and the question of how best to invest in information technology for competitive advantage remains unanswered.

Messrs van Nievelt and Willcocks are scornful of consultants who advocate such techniques in spite of scant evidence of their appropriateness and efficacy in specific circumstances. "They [the techniques] are rarely assessed against what our research has found to be a key measure of performance: relative customer satisfaction – that is, customer ratings comparing the company with its major competitors."

Only limited improvements in performance can be expected from reducing complexity without investing in IT, they say. "But providing a highly complex organisation with significant investments in IT is predicted to lead to major economic damage."

The research is based on data Mr van Nievelt has collected since 1983 with a view to identifying the significant variables that govern a business's organisational performance. He calls it benchmarking organisational performance.

Messrs van Nievelt and Willcocks' most important finding is that companies that are falling behind their principal competitors should not try to improve on a broad front, but focus on unique attributes that will shift them into a market niche or help them leapfrog the competition.

A market leader that improves its product or service would expect to gain a bigger share of a more profitable market. When a market laggard improves its offering, however, product differentiation decreases as it catches up and the resulting price war will chiefly hurt the company with the smaller market share.

International Business Machines, the world's largest computer manufacturer, provides an example. In the late 1980s and early 1990s, IBM's leading position in the computer industry began to slip as networks of personal computers found favour over the traditional mainframes that were its strength. IBM reacted as if it was still the unchallenged market leader, embarking on an aggressive campaign of corporate decentralisation, restructuring the business into autonomous units in an attempt to cut costs and remove layers of management.

With hindsight, it was the wrong move. Mr van Nievelt and Mr Willcocks point out: "Across the board corporate decentralisation is likely to have rather mixed results, since empowering businesses that are in a less than favourable competitive position is predicted to lead to severe performance deterioration."

And IBM's performance deteriorated. Louis Gerstner, who became IBM's chief executive in 1993, took an opposite line, spending his first six months finding out what customers wanted. Product improvements followed, and today IBM is reckoned to be well on the way to recovery. This "back-to-basics" approach is applauded by Messrs van Nievelt and Willcocks who quote Jack Welch, of the US GEC group, who told his business unit managers: "Be number one or number two in your market or get out."

Mr van Nievelt and Mr Willcocks say: "The significance of this brilliant but hard to copy strategy has not always been fully appreciated."

Benchmarking Organisational and IT Performonce, Augustus van Nievelt and Leslie Willcocks, £65, Templeton College, Oxford, OX1 5NY.

INTERNATIONAL CAPITAL MARKETS

US long bond yield tests 6%

GOVERNMENT BONDS

By John Labate in New York and Vincent Boland in London

Government bond markets powered to new highs yesterday after the US long bond yield fell below 6 per cent for the first time in nearly two years. In Europe, the bullish mood was reinforced after German and UK interest rates were left unchanged.

Renewed buying of US TREASURIES from domestic and overseas investors sent the long bond yield briefly below 6 per cent, its lowest since January 1996. By midday the 30-year bond had fallen from its earlier levels, gaining $\frac{1}{32}$ to $101\frac{27}{32}$, yielding 6.014 per cent.

The 10-year note rose $\frac{1}{32}$ to 102¾, yielding 5.817 per cent, while the two-year note was $\frac{1}{32}$ higher at 99¾, yielding 5.692 per cent. The Federal Funds rate, the benchmark short-term rate, was 5.56 per cent. Short-term issues were said to have benefited from more stability in the Korean and Japanese markets.

"We think we'll break through 6 per cent more decisively tomorrow," said David Ging, market strategist at Donaldson, Lufkin & Jenrette. This week's most important economic statistic, the unemployment report for November, will be released today.

Analysts were surprised by a morning report on initial jobless claims for the final week in November. The report showed claims down 3,000 to 303,000, a change that normally would be a bearish indicator for bonds.

"The market has somewhat decoupled itself from the weekly reports and it focused on bigger issues," said Stan Shipley, senior economist at Merrill Lynch. In a separate report, non-farm business productivity for the third-quarter was shown to be up 4.1 per cent.

GERMAN BUNDS outperformed in Europe, with the March future settling 0.27 higher at 103.79, while the December future settled 0.19 higher at 104.43. The Bundesbank left its interest rates unchanged, with the next move on that front now expected in the first quarter of 1998.

David Knott, core Europe specialist at Deutsche Morgan Grenfell, said the market had seen steady buying of Bunds in the last couple of weeks at the expense of US Treasuries, and domestic German investors had been caught napping by the sharp rise in Bunds recently, leaving the market well supported at current levels.

"To our mind the safe haven bond market is the Bund market, not the Treasury market. Bunds are in good shape," he said.

UK GILTS were buoyed by the Bank of England's decision to leave interest rates unchanged. The March future settled ¼ higher at $120\frac{1}{32}$. Analysts said the Bank's decision made sense, adding that it was looking to Christmas spending patterns for clues on UK inflation.

"With the strength of sterling, it has to seem reasonable that inflation may again be erring on the downside. If that happens, gilts start to look very attractive," said Don Smith, gilt specialist at HSBC Markets.

● Deutsche Terminbörse, the German derivatives exchange, is cutting its fees sharply to attract more members and step up competition with the London International Financial Futures and Options Exchange, writes Andrew Fisher in Frankfurt.

From next January, the DTB will no longer charge up-front admission fees and annual membership fees for trading. Jörg Franke, the exchange's general manager, said annual savings to DTB participants would be DM34,000 or DM17,000 for market makers.

New members would no longer have to pay an initial DM102,000 to trade on the DTB, while the admission fee for clearing memberships would be halved to DM100,000. The yearly fee for clearing members would be cut from DM66,000 to DM50,000.

Further market reform by Germany

By Andrew Fisher in Frankfurt

Further moves to streamline Germany's capital market ahead of European monetary union have been announced by the finance ministry and the Bundesbank.

From next year, all borrowing by special funds – such as those set up to meet railway debt or unification costs – will be included under the overall federal debt (Bund) heading. This is aimed at improving liquidity by increasing the volume of Bund issues.

The ministry said the government's standing in capital markets would be reinforced by the greater size of debt tranches and regularity of issues in differing maturities. This was especially important ahead of the unified euro capital market resulting from Emu.

Special funds would also benefit from the government's favourable borrowing terms. Until now, their debt issues have been made separately, though guaranteed by the government.

Also agreed by the ministry and the Bundesbank was the scrapping of the federal bond consortium, which has lost significance. Future issues will be on a tender basis, with a new "federal loan bidding group" responsible for placing government debt ranging from short-term issues to 10-year and 30-year Bunds.

The consortium, comprising about 100 banks and dating back 130 years, has lately accounted for less than 10 per cent of federal debt issuance, the rest being sold by tender or directly into the market.

CAPITAL MARKETS NEWS DIGEST

IMF says Hanoi should delay issue

The International Monetary Fund yesterday said Vietnam should not make its planned debut on the international capital markets until it had pushed through a series of urgent economic reforms. Vietnam has been working on a eurobond issue of between $100m and $150m, which bankers had hoped might follow the issue of Brady bonds – part of the country's imminent London Club debt rescheduling deal – in late January.

However Erik Offerdal, the IMF's resident representative in Vietnam, said the country "should wait until they have taken significant steps forward on their reform agenda".

Hanoi's economic reforms have ground to a halt, with the communist leadership divided over the overhaul of state-owned enterprises, tariff cuts and reform of the debt-ridden financial sector. The IMF and World Bank say Hanoi must move on these issues quickly if it is to maintain economic growth and avoid fiscal shocks resulting from regional economic problems.

Vietnam's central bank yesterday confirmed that its commercial arrears of $851m would be rescheduled in less than two weeks. While that in theory improves Vietnam's sovereign debt profile, bankers say prospects for foreign bank syndications and commercial lending are still clouded by a significant trade deficit, foreign exchange reserves of only $2bn, and a current account deficit of more than 10 per cent of gross domestic product.

Jeremy Grant, Hanoi

■ SECURITISATION

Asian paper group to raise $200m

Asia Pulp and Paper, part of Indonesia's Sinar Mas group, is planning to raise $200m through an innovative loan facility that will involve the securitisation of its future dollar receipts from the international sale of its paper products, said bankers.

Although the concept of mortgage-backed securities is familiar to investors in Hong Kong and other Asian borrowers in the service sector have used securitisation of receivables to raise money, this is believed to be the first time an industrial company will have employed this approach.

Bank of America and Daiwa Bank, which are to lead the seven-year loan facility, declined to give details yesterday, but bankers said it was likely to involve the creation of a trust company that would sell products manufactured by Asia Pulp and Paper, with the proceeds going to service the debt. The securitisation process is applicable to pulp and paper because it is an internationally-traded commodity that is priced in dollars.

The revenues of the trust will be used to back the issue of medium-term notes to investors in the securities market, whose main risk will be that the company continues to make and sell pulp and paper, whatever happens in future to its balance sheet.

Peter Montagnon, Hong Kong

New borrowers fill supply gap

INTERNATIONAL BONDS

By Edward Luce

It was almost like old times in the eurobond market yesterday, with investors something approaching a genuine choice in the dollar sector. With $2.4bn in new issues, the primary market was at its busiest since the crisis in late October.

In one respect, however, the market bore no relation to its pre-October bull phase. "We're seeing a lot of new borrowers filling in the recent gap in supply," said one official in London. "But they're coming at pretty generous prices and they're preparing the ground very carefully beforehand."

TELEFONICA, Spain's privatised telecoms company, was top of the list with its inaugural eurobond issue, a $500m offering.

The five-year bond, underwritten by J.P. Morgan and Salomon Brothers, was priced to yield 54 basis points over Treasuries and narrowed by at least 1 basis point after launch. "This was priced to succeed, but then we're still in an unpredictable market," said one trader.

A $300m offering from Germany's DSL BANK prompted similar views. The issue, seen as the first serious fixed-rate dollar deal by a bank since the market crisis, was priced to yield 27 basis points over five-year Treasuries, compared with a spread of 11 basis points on DSL's last five-year dollar deal in February.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Telefónica Europe	500	6.375(j)	99.73R	Jan 2003	0.275R	+54(5¾%Nov02)	JP Morgan/Salomon SB
Baden-Württemberg L-Fin	500	6.00	99.596R	Dec 2002	0.225R	+26(5¾%Nov02)	CSFB/Merrill Lynch
Cadest	500	(a)	99.984R	Dec 1999	0.05R	-	Deutsche Morgan Grenfell
DSL Bank	300	6.00	99.35R	Jan 2003	0.25R	+27(5¾%Nov02)	Nomura/SBC Warburg
Dominion Capital Trust I(b)	250	7.83(a)#	100.00	Dec 2027	1.00	+177(6⅛%-27)	Morgan Stanley DW
CCCIF(c)‡	250	(c1)	99.66R	Jun 2004	0.10R	-	Nomura/UBS
Ambroveneto Intl Bank(d)‡	100	(d1)	99.275R	Jan 2008	1.00R	-	Barclays/UBS
■ D-MARKS							
World Bank(e)	100	(e1)	101.625	Dec 2002	undisc	-	DG Bank
■ SWISS FRANCS							
BGB Finance (Ireland)	200	3.00	101.30	Jan 2003	2.00	-	CSFB/UBS
JP Morgan & Co(f)	200	2.00	98.60	Dec 2001	1.75	-	SBCWDR/UBS
■ ITALIAN LIRE							
Hellenic Republic(g)	200bn	(g1)	100.00	Dec 2004	undisc	-	(g2)
Abbey Natl Trsy Services	150bn	(h)	99.50R	Jan 2010	0.50R	-	BNL/CSFB

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor −12½bp. b) Callable after 10 yrs at premium falling to par after 20 yrs. c) Fungible with $750m. No accrued. Puttable on 27/6/02 at par. c1) 3-mth Libor +5bp. d) $400m launched on Wednesday was increased to $500m. d1) 3-mth Libor +65bp. e) Callable on 30/12/98 at par. e1) 4½% in 1st yr, then 5½%. f) Fungible with SFr600m. Plus 2 days accrued. g) L500bn launched on Tuesday was increased to L700bn. Domestic deal. g1) 5.8% in 1st 3 yrs, 6.1% in yrs 4–5, then 6.35%. g2) Joint bookrunners: Banca Popolare di Novara, Banco Profilo, Crediop and Credito Italiano. h) 13% in 1st yr, 7½% in yrs 2–3, then 15½% −2 x 12-mth Libor. j) Long 1st coupon. a) Short 1st coupon

CADES, the French government agency created to manage the accumulated debt of the social security system, issued a $500m offering that tightened to about 10.5 basis points through Libor after launch. BADEN-WUERTTEMBERG, the German region, also made a $500m offering.

AMBROVENETO, the Italian bank which launched a $400m debut on Friday, exploited benign market sentiment with a $100m add-on.

Market rumours suggested that Argentina, which broke the ice with a lira offering last week, was planning a fixed-rate dollar offering in the near future.

"Everything is possible at a price," said one trader. "Investors have built up large cash positions in the last few weeks."

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Dec 4	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	03/99	6.250	101.2843	5.18	−0.04	+0.05	+0.24	−1.11
	10/07	10.000	127.9398	6.13	−0.04	+0.01	+0.07	−0.92
Austria	09/99	7.000	104.1800	4.49	−0.03	−0.01	−0.07	+0.69
	07/07	5.625	101.0200	5.48	−0.03	−0.10	−0.18	−0.25
Belgium	04/99	7.000	105.6200	4.24	−0.04	−0.05	−0.13	+0.91
	03/07	6.250	105.1000	5.53	−0.03	−0.10	−0.21	−0.24
Canada	03/99	4.000	99.4400	4.45	+0.04	+0.08	+0.43	+0.60
	06/07	7.250	112.2500	5.55	+0.01	+0.01	−0.01	−0.66
Denmark	12/99	6.000	102.4100	4.71	−0.02	−0.08	−0.10	+0.58
	11/07	7.000	108.3800	5.86	−0.04	−0.10	−0.30	−0.85
Finland	01/99	11.000	107.1090	4.23	-	−0.03	−0.14	+0.39
	04/06	7.250	111.0890	5.55	−0.04	−0.10	−0.24	−0.71
France	11/99	7.000	104.8500	4.32	−0.02	−0.01	−0.07	+0.84
	10/04	6.750	109.0400	5.15	−0.02	−0.08	−0.18	+0.10
	10/07	5.500	100.7300	5.40	−0.02	−0.09	−0.22	−0.20
	10/25	6.000	101.0600	5.92	−0.03	−0.13	−0.31	−0.62
Germany	06/99	3.500	98.9400	4.22	−0.02	-	−0.01	−0.79
	07/04	6.750	108.5600	5.16	−0.04	−0.09	−0.14	−0.14
	07/07	6.000	104.4300	5.39	−0.05	−0.11	−0.21	−0.26
	07/27	6.500	107.4700	5.95	−0.05	−0.13	−0.28	−0.61
Ireland	04/99	6.250	101.3000	5.18	−0.04	−0.11	−0.21	−0.87
	08/06	8.000	114.8500	5.77	−0.02	−0.13	−0.31	−0.78
Italy	05/00	6.000	102.1300	5.05	−0.07	−0.06	−0.32	−1.36
	05/02	6.250	103.5100	5.35	−0.06	−0.10	−0.29	−1.41
	07/07	6.750	107.3100	5.74	−0.07	−0.16	−0.39	−1.77
	11/26	7.250	113.6800	6.22	−0.07	−0.21	−0.42	−1.83
Japan	06/99	4.600	106.6000	0.46	−0.01	+0.07	-	−0.27
	12/02	4.800	117.5200	1.20	−0.04	−0.06	−0.03	−0.54
	09/05	3.000	109.7600	1.66	−0.06	−0.15	−0.02	−0.69
	03/17	3.500	115.1000	2.51	−0.07	−0.16	+0.05	−0.67
Netherlands	06/99	7.500	104.5200	4.33	−0.02	-	−0.02	+0.87
	02/07	5.750	102.7400	5.36	−0.04	−0.11	−0.22	−0.25
New Zealand	02/00	6.500	98.9293	7.03	+0.04	+0.15	+0.13	+0.19
	11/06	8.000	108.4867	6.70	−0.02	+0.03	+0.01	−0.26
Norway	01/99	9.000	106.0600	4.35	+0.01	−0.06	−0.16	−0.22
	01/07	6.750	108.4100	5.65	−0.02	−0.07	−0.26	−0.02
Portugal	03/99	8.500	104.4534	4.82	−0.03	−0.05	−0.24	−1.32
	02/07	6.625	106.0232	5.76	−0.03	−0.09	−0.26	−1.12
Spain	07/99	7.400	104.2373	4.63	−0.03	−0.06	−0.24	−1.29
	03/07	7.350	111.8522	5.67	−0.06	−0.11	−0.35	−1.29
Sweden	01/99	11.000	106.1100	5.20	−0.02	−0.01	+0.09	+0.30
	08/07	8.000	113.1620	6.18	−0.06	−0.12	−0.25	−0.74
Switzerland	03/99	4.000	102.7000	1.80	+0.04	−0.22	−0.22	−0.36
	06/07	4.500	107.9600	3.50	−0.02	−0.03	−0.10	−0.40
UK	08/99	6.000	98.4375	6.99	−0.08	−0.09	+0.09	+0.31
	11/04	6.750	100.9609	6.58	−0.04	−0.11	−0.06	−0.89
	12/07	7.250	105.7813	6.48	−0.03	−0.10	−0.10	−0.87
	06/21	8.000	119.5234	6.38	−0.03	−0.05	−0.11	−1.16
US	07/99	5.875	100.2634	5.70	−0.07	−0.07	−0.03	+0.06
	05/04	7.250	107.7569	5.79	−0.04	−0.07	−0.17	−0.09
	08/07	6.125	102.4012	5.80	−0.03	−0.06	−0.15	−0.50
	08/27	6.375	104.7151	6.03	−0.03	−0.05	−0.22	−0.36
ECU	03/99	5.000	100.4400	4.62	−0.04	−0.04	−0.05	+0.48
	04/07	6.500	99.6100	5.52	−0.03	−0.12	−0.25	−0.48

London closing. *New York closing. Source: Interactive Data/FT Information. Yields: Local market standard/Annualised yield basis. Yields shown for Italy exclude withholding tax at 12.5 per cent payable by nonresidents.

10 YEAR BENCHMARK SPREADS

EMERGING MARKET BONDS

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	100.58	100.84	+0.30	100.84	100.44	119,250	89,885
Mar	100.08	100.38	+0.30	100.38	99.98	24,326	47,658
Jun	99.60	99.78	+0.30	99.50	99.50	2	12

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

■ NOTIONAL GERMAN BUND (BOBL) FUTURES (DTB) DM250,000 100ths of 100%

■ NOTIONAL GERMAN BOBL FUTURES (LIFFE)* DM250,000 100ths of 100%

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE)

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

US CORPORATE BONDS

Dec 8	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
■ UTILITIES								
Pac Bell	07/02	7.25	AA−	103.8946	6.25	−0.02	+0.01	+0.45
NY Tel	08/25	7.00	A+	88.2587	7.14	−0.01	−0.03	+1.12
CWE	05/08	8.00	BBB	108.8169	6.80	−0.02	−0.06	+0.98
■ FINANCIALS								
GECC	05/07	8.75	AAA	116.4639	6.39	−0.03	−0.05	+0.57
Banc One	08/02	7.25	A+	103.8979	6.31	−0.03	+0.04	+0.51
US West	01/07	7.30	BBB+	102.8214	6.87	−0.03	−0.09	+1.05
■ INDUSTRIALS								
WMX Tech	04/99	8.25	A−	99.6104	6.55	−0.05	+0.24	+0.81
Wal Mart	05/02	8.75	AA	102.0327	6.21	−0.03	+0.01	+0.41
Dayton Hud	06/21	9.70	BBB+	129.1960	7.12	-	−0.14	+1.10
■ AGENCIES								
FHLMC	04/07	7.14	N/A	107.1230	6.12	−0.03	−0.05	+0.30
SLMA	03/00	7.50	N/A	103.3259	5.90	−0.03	+0.07	+0.13
FNMA	02/16	6.95	N/A	128.3339	6.42	-	−0.15	+0.40
FFCB	06/06	6.95	N/A	116.4207	6.13	−0.02	−0.05	+0.31
■ HIGH YIELD								
Stone Cont	02/01	8.88	B	101.8750	0.00	-	-	-
AK Stl	12/01	9.13	BB−	103.7500	0.00	-	-	-
Pacalta	06/04	10.75	B−	99.0000	0.00	-	-	-

New York closing. Source: Interactive Data/FT Information. Standard & Poor's ratings. Yields: semi-annual basis.

US INTEREST RATES

Latest

Treasury Bills and Bond Yields

INTERNATIONAL BONDS

UK BONDS

FTSE Actuaries Govt. Securities

UK Indices

FT Fixed Interest Indices

UK GILTS PRICES

Other Fixed Interest

CURRENCIES AND MONEY

Yen falls as Japan's gloom deepens

MARKETS REPORT

By Simon Kuper

The yen fell again yesterday as sentiment over Japan's economy grew even worse.

Tadayo Homma, executive director of the Bank of Japan, when asked if the bank was concerned about the yen's recent slide, replied: "There is big anxiety (in the market) about Japan's financial system, and that may be reflected in exchange rates. Exchange rates will be in tronble unless Japan's financial system becomes sound."

Japanese stocks fell yesterday, reacting to Wednesday's news that Japanese gross domestic product had shrunk 1.4 per cent in the six months to September.

The yen dropped Y0.8 yesterday to close in London at Y129.4 against the dollar. Traders said the dollar faced resistance from a large seller at Y129.50, and at tha key psychological level of Y130.

The yen profited little from the rise in the South Korean won, which continued to gain after the $55bn rescne package for Korea arranged by the International Monetary Fund on Wednesday. It rose to 1,163 against the dollar, from 1,195 late on Wednesday and 1,290 just before the package was announced. Paul Meggyesi, senior currency economist at Deutsche Morgan Grenfell in London, said the won was not safa yet. Other Asian currencies had continued falling after their countries had been given IMF rescue packages. The Indonesian rupiah had fallen 10 per cent, for instance.

Trading volumes are falling ahead of Christmas.

■ Neither the Bank of England nor the Bundesbank nor the Swiss National Bank raised interest rates yesterday. Although oo change was thought to have been expected, the pound fell slightly and short sterling futures contracts rose, reflecting a decline in rate prospects.

The pound dropped 1.1 pfennig against the D-Mark and 0.8 cents against the dollar to close at DM2.967 and $1.676. A Confederation of British Industry survey showing a slowing of UK retail sales in November undermined sterling, while ABN-Amro noted that "sterling buying related to company takeovers is abating".

The June 1998 short sterling contract rose 9 basis points, but still looks to be pricing in base rates of more than 7.50 per cent, up from today's 7.25 per cent level.

However, Philip Shaw, chief economist at Investec in London, said the short sterling market was giving a false picture of how many base rate rises traders were expecting. The December 1997 contract, he noted, looked as if it were pricing in rates of nearly 7.75 per cent. Yet few traders expected such steep rises in the next two months.

The reason why short sterling contracts were so high, said Mr Shew, was the "Japan effect". The collapse of the Yamaichi brokerage and of Tokuyo bank last month, and fears for other Japanese banks, had raised the premium that the country's institutions had to pay for three-month money. "That has raised the cost of interbank borrowing for everyone in the market," Mr Shaw said.

■ China helped lay the foundatioo for the Asian currency crisis in 1994, when it devalued the yuan by almost 100 per cent. Will it give the crisis a new impetus by devaluing again now?

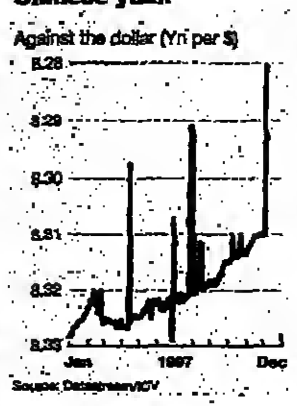
On balance, Jim O'Neill, chief currency economist at Goldman Sachs in London, thinks probably not. True, the yuan has lost competitiveness since most of its Asian rivals devalued this year. As the chart by this column shows, the yuan has barely fallen against the dollar, while some of its neighbours have lost more than half their dollar value.

But China has a big trade surplus and foreign exchange reserves of about $140bn and rising. Goldman says the yuan is still about 4 per cent undervalued.

One thing is for sure, Goldman Sachs believes. If China does devalue the yuan, "you can kiss goodbye to the Hong Kong dollar," says Mr O'Neill. And if Hong Kong's curreocy peg weot, then Argentina's would probably follow, sparking further devaluations in Latin America, according to Goldman Sachs. Not to mention the damage that a yuan devaluation would do to the UK and Europeao ecooomies.

Chinese yuan

Against the dollar (Yn per $)



Source: Datastream/ICV

■ Pound in New York

Dec 4	—Latest—	– Prev. close –
£ spot	1.6715	1.6840
1 mth	1.6693	1.6818
3 mth	1.6643	1.6767
1 yr	1.6435	1.6550

■ OTHER CURRENCIES

Dec 4	£	$
Czech Rp	58.3539 - 58.4674	34.8340 - 34.8830
Hungary	335.409 - 335.673	200.220 - 200.270
Iran	5023.30 - 5025.60	3000.00 - 3000.00
Kuwait	0.5098 - 0.5102	0.3043 - 0.3044
Poland	5.9436 - 5.9485	3.5480 - 3.5490
Russia	9950.69 - 9964.41	5940.00 - 5945.00
U.A.E.	6.1528 - 6.1563	3.6729 - 3.6730

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH PIBOR FUTURES (MATIF) [illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

[illegible]

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.34	95.39	+0.05	95.39	95.34	175	6228
Sep	95.30	95.35	+0.05	95.35	95.30	1057	7681

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9375	0.24	1.01	1.50	0.01	0.02	0.01
9400	0.05	0.77	1.26	0.07	0.03	0.02
9425	0.01	0.56	1.02	0.28	0.06	0.03

Est. vol. total, Calls 3073 Puts 678. Previous day's open int., Calls 232873 Puts 141591

POUND SPOT FORWARD AGAINST THE POUND

Dec 4		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	20.8752	-0.0791	646 - 857	20.9854	20.8738	20.9415	-3.8	21.0897	-3.7	21.5784	-3.4	102.5
Belgium	(BFr)	61.2283	-0.2004	783 - 782	61.5580	61.1640	61.0163	4.2	60.6358	3.9	59.1252	3.4	102.0
Denmark	(DKr)	11.2973	-0.0391	925 - 021	11.3608	11.2925	11.2617	3.8	11.1961	3.6	10.9388	3.2	104.4
Finland	(FM)	8.9675	-0.034	598 - 752	9.0230	8.9480	8.9057	4.3	8.8801	3.9	8.6687	3.3	80.8
France	(FFr)	9.9296	-0.037	232 - 359	9.9890	9.9208	9.8969	4.1	9.8328	3.9	9.583	3.5	105.5
[illegible]													

Rates for Dec 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. [illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	12.4580	+0.0141	550 - 609	12.4830	12.4495	12.4347	2.2	12.395	2.0	12.246	1.7	102.3
Belgium	(BFr)	36.5400	+0.06	200 - 600	36.5950	36.4720	36.4615	2.6	36.342	2.2	35.89	1.8	102.0
Denmark	(DKr)	6.7421	+0.0099	410 - 431	6.7546	6.7329	6.7298	2.2	6.7104	1.9	6.6401	1.5	103.6
Finland	(FM)	5.3517	+0.006	485 - 548	5.3640	5.3453	5.3398	2.7	5.3224	2.2	5.2627	1.7	80.4
France	(FFr)	5.9258	+0.007	236 - 280	5.9403	5.9190	5.9135	2.5	5.8939	2.2	5.817	1.8	105.1
[illegible]													

† SDR rate per $ for Dec 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 3: Base average 1990=100. The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

[illegible]

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

[illegible]

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

[illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

[illegible]

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9225	0.08	0.16	0.28	0.01	0.12	0.18
9250	0	0.05	0.15	0.18	0.26	0.30
9275	0	0.01	0.07	0.43	0.47	0.47

Est. vol. total, Calls 5401 Puts 2942. Previous day's open int., Calls 239835 Puts 235409

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
0.560	[illegible]					
0.565	[illegible]					
0.570	[illegible]					

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

[illegible]

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS
9600	[illegible]
9625	[illegible]
9650	[illegible]
9675	[illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS
9825	[illegible]
9850	[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	7.25	Exeter Trust Limited	8.25	●Singer & Friedlander	7.25
Allied Irish Bank (GB)	7.25	Financial & Gen Bank	8.00	●Smith & Williamson	7.25
●Henry Ansbacher	7.25	●Robert Fleming & Co	7.25	Sun Banking Corp Ltd	7.25
Banco Bilbao Vizcaya	7.25	●Guinness Mahon	7.25	TSB	7.25
Bank of Cyprus	7.25	Habib Bank AG Zurich	7.25	United Bank of Kuwait	7.25
Bank of Ireland	7.25	●Hambros Bank	7.25	Unity Trust Bank Plc	7.25
Bank of India	7.25	Heritable & Gen Inv Bk	7.25	Whiteaway Laidlaw	7.25
Bank of Scotland	7.25	C. Hoare & Co	7.25	Yorkshire Bank	7.25
Barclays Bank	7.25	Hongkong & Shanghai	7.25		
Brit Bk of Mid East	7.25	Investec Bank (UK) Ltd	7.25		
●Brown Shipley & Co Ltd	7.25	Julian Hodge Bank	7.25		
Citibank NA	7.25	●Leopold Joseph & Sons	7.25		
Clydesdale Bank	7.25	Lloyds Bank	7.25		
The Co-operative Bank	7.25	Midland Bank	7.25		
Coutts & Co	7.25	NatWestminster	7.25		
Cyprus Popular Bank	7.25	●Rea Brothers	7.00		
Duncan Lawrie	7.25	Royal Bk of Scotland	7.25		
		Scottish Widows Bank	7.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Gold price drifts to fresh 12½-year low

MARKETS REPORT

By Kenneth Gooding, Mining Correspondent

Gold's price drifted to a fresh 12½-year low yesterday as the market considered the implications of the sale, revealed on Wednesday, by Argentina's central bank of all its gold reserves. Gold closed in London at $289.15 an ounce, down $3.60 from Wednesday's close.

The market had been affected for months by a drip feed of rumour and conjecture about central bank gold sales, but the direction of the latest salvo was unexpected as this was the first outright sale from Latin America, said Tooy Warwick-Ching, analyst at Flemings Global Mining Group.

"Moreover, the Argentine sale was not a response to crisis but part of a more measured portfolio diversification into US Treasury bonds. The Argentine disposal means we have now seen central bank sales from every continent in recent years."

He recalled that the main sales completed in 1997 had been from the Netherlands, with 300 tonnes in January, Australia with 157 tonnes in July, Argentina, with 124 tonnes, and minor disposals from other sources. "In all, central bank sales will have been at least 600 tonnes by the end of 1997."

Mr Warwick-Ching said the total was oot unprecedented, however, and central bank gold sales had been above 600 tonnes in 1989, 1992 and 1993. He insisted: "The market actually needs regular injections of central bank gold. There are two windows for it. The Soviets once shipped up to 400 tonnes a year to the west but now account for little. And natural growth in jewellery sales now eats up another 100 to 200 tonnes of gold each year.

"The sooner the market gets used to the idea that central bank sales at a moderate rate need not spell disaster, the better for the gold price. Unfortunately, the bears have not quite finished yet."

Traders suggested the US investment funds that have been selling short – selling gold they did not own in the expectation that they could buy it at a lower price before they had to deliver – were now looking for $284.25 an ounce, a level last reached on February 25 1985, after a price drop of $13.55 in two trading days.

On the London Metal Exchange a squeeze that has developed in the tin market intensified and at one point the premium for tin for immediate dalivery compared with three-month metal increased to US$145 a tonne, the widest for 2¾ years.

Traders suggested a big European trading house was behind the sqneeze, which was forcing tin consumers unwilling to pay the premium to bny on a hand-to-mouth basis.

Review of aluminium warns on capacity

By Kenneth Gooding, Mining Correspondent

Nearly 3m tonnes of annual global primary aluminium prodnction capacity – about 16 per ceot of the total – would be very vulnerable in any economic downturn, the Anthony Bird consultancy warns in its latest review of the industry's costs. By 2005 more than 6m tonnes of capacity will be uneconomic or obsolete, it suggests.

The report notes that much of this vulnerable capacity is in the former eastern bloc, and says this raises questions abont the long-term availability of exports from the area, which western markets have come to rely on heavily in recent years. "But even in the west, some 1.5m tonnes of smelter capacity is threatened in the long term."

Bird saye the western countries with the highest cost smelter capacity are Germany, at $1,359 a tonne, the US ($1,321), and Spain ($1,313). Companies with the highest costs are Kaiser of the US ($1,303), Norway's Hydro ($1,268), and Germany's VAW ($1,240).

The report says banks are nervous because of the financial turmoil in Asia. "It would be very unfortunate if they were to rein back thair lending to an industry which urgently needs new investment – especially now that profits are bealthy enough to make that investment pay."

Bird suggests that in the middie of 1997 tha average western smelter was making operating profits of US$500 a tonne and many of the newer ones were making $650. "No-one in the west is now losing money."

Aluminium Production Costs 1997, Anthony Bird Associates, 193 Richmond Road, Kingston upon Thames, Surrey KT2 5DD, UK. £5,000.

Cuban sugar sector braced for shake-up

The brigade of workers that started cutting the first sugar cane of Cuba's 1997-98 sugar harvest near a mill west of Havana last week included one new recruit.

In his mid-fifties, sweating in green military work fatigues and hefting the traditional short-bladed Cuban sugar cutter's machete, he looked almost like any other worker.

However, the latest conscript was none other than Cuba'e new sugar minister, division general Ulises Rosales del Toro. He went to tbe Habana Libre mill to rally his new army of more than 400,000 sugar workers grouped around 156 eugar mills across the communist-ruled Caribbean island.

The general told reporters that discipline, organisation and efficiency would be the new order of the day for Cuba's crisis-stricken sugar industry.

His appointment last month as sugar minister surprised many observers. The 55-year-old soldier has an impressive military record – be has seen combat in Algeria, Venezuela and Angola, holds the title "Hero of the Republic of Cuba", and since 1961 has served as chief of general staff of Cuba's Revolutionary Armed Forces. However, the general has oo known expertise in the sugar industry.

Nevertheless, the sector is braced for a ehake-up. To cut costs, the sugar ministry is expected to trim its bureancracy and temporarily shnt inefficient sugar mills. In the province of Matanzas, for example, only 16 of its 21 mills will grind this season.

Sugar mills in Cuba support whole rural communities so the proposed shutdown of some factories, albeit temporarily, is politically sensitive. Cuba's communist leadership has vowed never to implement what it derides as western-style economic "shock" policies, involving large scale lay-offs. The laid off workers will be found other jobs.

The new measures will not come in time to lift prodnction significantly in the 1997-98 sugar harvest. Carlos Lage, vice-president, who eupervises the running of the Cuban economy, has acknowledged that the latest harvest is unlikely to exceed the 1996-97 crop. He cited reduced availability of sugar cana in the fields as the main reason.

Foreign analysts foresee a 1997-98 Cuban crop of somewhere between 3.8m and 4.2m tonnes. In spite of initially upbeat official predictions and an estimated $300m of financing, the 1996-97 harvest failed to improve on the 1995-96 crop of 4.45m tonnes. No official harvest figure has been released but officials admit it fell short of the 1995-96 total by at least 200,000 tonnes.

Mr Lage said the current November-May harvest season and its aftermath would be used to increase efficiency and restore sugar cane reserves in the fields, which have become badly depleted through problems like fertiliser and herbicide shortages, drought, neglect and sloppy cultivation.

Farms are under instructions not to cut young, spring-planted cane for the 1997-98 harvest. This is to be left to grow and mature to bolster cane reserves for the following season. The sugar ministry has called for extra efforts to improve planting and cultivation.

Officials are also aiming for a short, early harvest this season to offset possible bad weather resulting from the latest El Niño weather pattern – a periodic warming of the tropical Pacific Ocean by a few degrees that reverberates globally.

The intention is to create the conditions for a sustained recovery of sugar production from the 1998-99 season onwards.

Associated Press

General Ulises Rosales del Toro (left), Cuba'e new sugar minister, plans to bring discipline to the crisis-stricken industry

The government aims to try gradually to lift output over the next few years back to 7m tonnes and over. These were the levels achieved before the collapse of the Soviet bloc disrupted technical supplies to Cuba and sent the sugar industry into recession.

This shortfall redoced hard currency earnings from sugar, which still represent more than half of total export income. It has also dragged down the rate of Cuba's economic recovery this year. In addition, Cuba's ability to use eogar shipmeots as guarantees for fresh credits was reduced, while the cost of obtaining new financing rose.

Cuban officials blamed the sugar deficit on damage inflicted by Hurricane Lili in October 1996 and oo disruptions to foreign financing caused by the US Helms-Burton law, which tightened the longstanding US embargo against Cuba.

But foreign analysts point to poor organisation and inefficiency. The sugar industry's image has also suffered from complaints about entrenched bureaucracy and the misuse of resources.

Foreign banks and European trade houses like Vitol, Pacol, Sucden and Gill, and Duffus have been involved in financing the Cuban sugar crop for the past two seasons.

One foreign trade house representative said he believed this involvement would continue, in spite of the poor 1996-97 harvest. "We survive," he said. "You look to the next crop."

Companies from Britain and France have been negotiating possible direct investment in Cuban sugar refineries bnt no such deals are known have been finalised so far.

The Cuban government is currently open to discussing possible joint ventures to produce refined sugar, alcohol or other sugar derivatives, but it would prefer to keep the production of raw sugar in Cuban hands for the moment.

Pascal Fletcher

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1559.5-60.5	1582-3
Previous	1561-62	1584-85
High/low		1591/1582
AM Official	1585-66	1585-85.5
Kerb close		1584-5
Open int.	254,545	
Total daily turnover	69,434	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1420-30	1440-50
Previous	1430-40	1450-55
High/low		1455/1445
AM Official	1425-30	1450-55
Kerb close		1440-45
Open int.	6,017	
Total daily turnover	985	

■ LEAD ($ per tonne)

Close	533.5-4.5	550-1
Previous	517-18	534-35
High/low		554/538
AM Official	535-6	551-2
Kerb close		551-2
Open int.	32,448	
Total daily turnover	7,110	

■ NICKEL ($ per tonne)

Close	6075-85	6165-75
Previous	5860-70	5855-60
High/low		6250/5910
AM Official	5900-05	5995-6000
Kerb close		6245-50
Open int.	59,584	
Total daily turnover	19,636	

■ TIN ($ per tonne)

Close	5840-50	5720-30
Previous	5720-30	5640-45
High/low		5740/5680
AM Official	5880-90	5740-45
Kerb close		5710-20
Open int.	14,875	
Total daily turnover	3,467	

■ ZINC, special high grade ($ per tonne)

Close	1111.5-2.5	1135-6
Previous	1084.5-85.5	1110-11
High/low		1138/1113
AM Official	1092-93	1120-21
Kerb close		1132-3
Open int.	83,416	
Total daily turnover	17,779	

■ COPPER, grade A ($ per tonne)

Close	1788-9	1818-9
Previous	1178.5-77.5	1808.5-09.5
High/low		1824/1786
AM Official	1783-84	1815-16
Kerb close		1823-4
Open int.	161,499	
Total daily turnover	58,984	

■ LME AM Official £/$ rate: 1.6777
LME Closing £/$ rate: 1.6785

Spot: 1.6719 3 mths: 1.6650 6 mths: 1.6561 9 mths: 1.6408

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	80.80	+0.60	81.30	80.30	1,409	2,673
Jan	81.60	+0.75	81.80	80.65	490	2,688
Feb	82.25	+0.80	82.40	82.20	50	1,791
Mar	82.55	+0.70	82.90	81.70	5,018	32,336
Apr	83.05	+0.70	83.10	83.10	80	1,410
May	83.30	+0.55	83.70	83.20	206	4,690
Total					8,028	63,984

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	288.40-288.90		
Opening	289.00-289.50		
Morning fix	289.85	172.519	415.471
Afternoon fix	289.35	172.314	414.639
Day's High	290.60-291.10		
Day's Low	287.50-288.00		
Previous close	292.40-292.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.00	6 months	4.08
2 months	4.01	12 months	4.13
3 months	4.02		

Silver Fix	p/troy oz.	US cts equiv.
Spot	315.85	528.50
3 months	319.50	533.30
6 months	321.85	534.85
1 year	327.45	539.70

Gold Coins	$ price	£ equiv.
Krugerrand	290-292	172-174
Maple Leaf	-	-
New Sovereign	70-73	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	286.5	-6.1	292.5	286.0	945	1,950
Jan	287.3	-6.1	-	-	-	8
Feb	288.5	-6.0	294.5	288.2	29,034	111.8k
Apr	290.3	-6.0	296.1	290.0	478	11,415
Jun	292.4	-6.0	298.0	292.0	843	12,535
Aug	294.5	-6.0	298.0	298.0	741	4,558
Total					33,164	198,172

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Jan	381.0	-4.7	385.5	378.0	1,171	10,365
Apr	377.5	-4.7	379.8	376.0	272	2,529
Jul	374.5	-4.7	382.0	378.0	4	104
Total					1,443	12,998

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Dec	208.50	-1.70	210.00	208.00	55	416
Mar	206.00	-1.45	207.00	205.00	435	3,728
Jun	202.50	-1.45	202.50	202.50	30	148
Sep	199.50	-1.45	-	-	-	4
Total					520	4,296

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Dec	524.0	-1.4	525.0	523.0	322	1,475
Jan	525.9	-1.0	-	-	3	38
Mar	530.5	-1.7	534.0	527.5	13,697	64,508
May	533.5	-1.8	536.0	532.0	307	5,735
Jul	535.5	-1.8	536.0	534.0	133	5,364
Sep	537.2	-1.8	540.0	540.0	50	802
Total					15,315	86,724

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.65	-0.15	18.93	18.60	46,296	106.4k
Feb	18.90	-0.13	19.15	10.83	21,256	82,468
Mar	10.11	-0.06	19.29	10.05	14,874	33,794
Apr	19.22	-0.05	19.37	19.17	5,135	21,290
May	19.30	-0.06	19.45	19.30	4,020	21,111
Jun	19.38	-0.02	19.51	19.37	4,817	33,582
Total					104,187	423,628

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	18.12	-0.05	18.27	18.04	11,233	53,522
Feb	18.10	-	18.30	18.10	7,007	66,630
Mar	18.17	-0.01	18.27	18.11	2,309	19,860
Apr	18.19	-	18.26	18.12	1,454	13,295
May	18.12	-	18.32	18.12	485	9,612
Jun	18.16	-0.03	18.28	18.12	1,025	15,115
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	53.45	-0.05	53.85	53.30	21,903	54,711
Feb	54.10	+0.01	54.45	53.90	8,623	28,306
Mar	54.10	-0.04	54.45	54.00	3,412	15,949
Apr	53.50	+0.06	53.60	53.40	1,171	7,929
May	52.85	+0.11	52.90	52.65	930	6,179
Jun	52.55	+0.06	52.65	52.45	1,578	6,485
Total					39,364	136,601

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	165.25	+0.50	167.00	165.00	4,399	15,381
Jan	166.25	-	167.75	166.25	4,107	26,291
Feb	166.50	+0.50	167.75	166.25	1,747	15,797
Mar	166.00	+0.50	166.75	165.75	309	11,481
Apr	164.75	-	165.50	165.00	210	4,424
May	164.25	-	164.75	164.75	81	2,745
Total					10,786	101,212

■ NATURAL GAS IPE (1,000 therms; pence per therm)

Jan	17.850	-0.200	18.030	17.800	370	2,885
Feb	18.050	-0.180	18.050	10.050	50	3,065
Total					830	12,580

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.430	-0.189	2.617	2.410	24,421	48,913
Feb	2.360	-0.150	2.510	2.350	7,958	25,887
Mar	2.260	-0.110	2.370	2.255	4,510	20,590
Apr	2.180	-0.070	2.210	2.150	1,729	12,068
May	2.150	-0.065	2.190	2.150	905	9,229
Jun	2.160	-0.045	2.180	2.155	471	8,580
Total					41,943	208,847

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	56.10	-0.45	56.65	56.05	14,569	34,059
Feb	55.95	-0.38	57.15	56.50	3,319	17,147
Mar	56.55	-0.48	57.45	56.95	1,287	10,983
Apr	58.80	-0.21	60.00	58.85	1,008	8,842
May	59.05	-0.11	59.95	59.75	1,074	6,181
Jun	59.50	-0.13	59.80	59.40	719	6,059
Total					22,047	94,809

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	82.45	+1.05	82.45	01.80	289	1,522
Mar	84.55	+1.05	84.25	83.90	73	2,828
May	86.55	+1.05	86.55	85.90	277	3,183
Jul	88.50	+1.00	88.00	88.00	10	403
Sep	83.50	+0.75	-	-	-	20
Total					n/a	n/a

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	340.25	+1.50	341.00	338.75	3,415	2,835
Mar	356.50	+1.00	357.50	355.00	13,289	54,061
May	364.75	+1.25	365.50	363.00	763	11,094
Jul	368.75	+0.50	369.00	367.00	2,168	17,890
Sep	373.00	-	373.00	373.00	60	425
Dec	382.50	-	384.50	380.00	53	3,384
Total					19,748	89,752

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	267.75	-3.50	271.75	267.50	18,985	29,698
Mar	277.00	-3.75	281.50	276.75	35,584	184,160
May	284.25	-3.00	288.00	284.00	2,420	42,035
Jul	288.25	-3.00	292.00	288.00	2,981	63,012
Sep	283.25	-3.75	288.75	283.25	129	5,234
Dec	283.50	-3.75	287.00	283.00	1,383	31,384
Total					61,428	347,181

■ BARLEY LIFFE (100 tonnes; £ per tonne)

Jan	75.50	+0.75	-	-	-	474
Mar	78.10	+0.75	77.75	77.75	3	1,355
May	79.35	+0.75	-	-	-	20
Sep	80.50	+0.50	-	-	-	8
Nov	82.50	+0.50	82.50	82.50	5	65
Total					n/a	n/a

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Jan	694.00	-12.50	707.50	693.00	33,040	66,315
Mar	697.50	-13.25	711.75	697.00	6,810	28,599
May	703.00	-12.00	716.00	702.50	2,928	21,141
Jul	705.50	-12.00	718.50	705.00	2,613	22,523
Aug	700.50	-11.00	709.00	700.00	185	1,794
Sep	682.00	-8.00	686.25	685.00	40	73
Total					48,715	148,884

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Dec	24.47	-0.50	25.02	24.45	5,739	4,961
Jan	24.71	-0.59	25.30	24.67	13,981	47,384
Mar	25.07	-0.56	25.55	25.02	3,720	34,095
May	25.30	-0.50	25.65	25.25	1,967	13,466
Jul	25.43	-0.47	25.78	25.40	1,369	11,291
Aug	25.38	-0.41	25.67	25.37	178	2,110
Total					27,023	115,487

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Dec	229.6	-1.1	231.9	228.7	4,994	12,048
Jan	220.6	-1.8	223.7	220.0	10,329	30,190
Mar	214.3	-2.5	218.5	214.0	6,447	34,173
May	212.0	-2.2	215.5	211.5	2,709	20,984
Jul	211.8	-2.5	215.3	212.0	680	14,690
Aug	211.3	-3.2	214.5	211.8	140	3,360
Total					25,805	122,167

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Mar	94.5	-	-	-	-	-
Apr	107.0	-4.5	110.0	103.0	112	1,074
May	117.0	-4.5	-	-	-	22
Jun	127.0	-4.5	-	-	-	-
Nov	51.6	-9.0	-	-	-	-
Total					n/a	n/a

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Dec	1230	+5	1230	1230	21	297
Jan	1265	+26	1270	1245	15	711
Feb	1270	+25	-	-	-	-
Apr	1340	+10	1340	1330	22	460
Jul	1200	-	-	-	-	124
Total					n/a	n/a

	Close	Prev
BFI	1188	1184

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	528.00	-8.75	534.00	528.00	39	430
Mar	547.50	-5.50	550.00	547.50	25	179
Total						

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	938	+4	938	935	94	1,083
Mar	1026	+2	1028	1025	1,275	80,539
May	1045	+1	1046	1044	83	24,912
Jul	1062	+1	1064	1063	48	11,399
Sep	1078	-	1080	1078	61	19,049
Dec	1098	+2	1099	1096	40	23,220
Total					n/a	n/a

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1546	-10	1560	1551	23	310
Mar	1575	-10	1585	1571	2,425	49,106
May	1607	-10	1614	1600	249	18,734
Jul	1627	-10	1635	1623	84	4,852
Sep	1646	-12	1650	1642	70	0,795
Dec	1667	-9	1674	1663	41	9,155
Total					2,976	98,008

■ COCOA (ICCO) (SDR's/tonne)

Dec 3	Price	Prev. day
Daily	1234.35	1224.72

■ COFFEE LIFFE (5 tonnes; $/tonne)

Jan	1774	-44	1800	1758	1,821	17,007
Mar	1763	-44	1788	1741	3,185	20,668
May	1738	-47	1757	1721	1,088	5,763
Jul	1724	-48	1750	1715	446	1,172
Sep	1724	-46	1732	1715	205	482
Nov	1729	-46	-	-	-	30
Total					n/a	n/a

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	175.00	+1.00	175.00	171.00	147	875
Mar	169.80	+2.50	170.55	163.75	6,934	15,301
May	161.45	+1.20	162.00	157.00	985	6,208
Jul	153.50	+0.60	154.00	150.50	250	2,504
Sep	146.50	-0.05	147.00	145.00	110	1,161
Dec	140.65	-1.10	141.25	140.00	29	951
Total					8,485	28,285

■ COFFEE (ICO) (US cents/pound)

Dec 3	Price	Prev. day
Comp. daily	130.53	130.88
15 day average	122.20	121.32

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

Mar	310.2	-0.9	210.3	310.1	78	22,576
May	315.6	-0.5	315.0	215.0	124	5,289
Aug	317.4	-1.1	217.4	217.4	95	4,638
Oct	311.9	-0.8	311.8	311.8	18	3,867
Dec	311.1	-0.4	316.0	316.0	-	142
Total					1,487	38,486

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Mar	12.38	-	12.42	12.31	6,378	113.0k
May	12.30	-	12.33	12.25	1,595	32,128
Jul	11.96	+0.01	12.03	11.94	2,488	27,050
Oct	11.75	-	11.78	11.73	1,607	23,984
Mar	11.59	+0.01	11.62	11.56	412	5,290
May	11.53	+0.01	11.55	11.50	182	940
Total					12,885	204,294

■ COTTON NYCE (50,000lbs; cents/lbs)

Dec	66.38	-1.59	67.90	66.20	74	281
Mar	68.56	-1.07	69.20	68.20	3,434	43,858
May	69.95	-1.03	70.60	69.55	928	13,955
Jul	71.20	-0.95	71.90	71.00	692	14,721
Oct	73.25	-0.38	73.50	72.80	68	1,010
Dec	73.70	-0.50	74.00	73.65	662	10,624
Total					5,893	84,899

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Jan	82.75	+1.35	83.00	80.50	969	22,122
Mar	85.95	+1.50	86.10	83.65	801	15,247
May	88.05	+1.60	89.00	86.85	12	3,467
Jul	92.00	+1.85	91.40	91.10	12	1,872
Sep	94.00	+1.15	-	-	3	938
Nov	96.10	+0.55	95.60	94.30	112	1,167
Total					1,798	45,234

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 4	Dec 3	month ago	year ago
1793.5	1785.5	1817.2	1853.2

■ CRB Futures (Base: 1967 = 100)

Dec 3	Dec 2	month ago	year ago
236.03	236.65		

■ GSCI Spot (Base: 1970 = 100)

Dec 3	Dec 2	month ago	year ago
187.45	188.94	205.03	218.87

■ LME WAREHOUSE STOCKS (tonnes)

Aluminium	-2,775	to	660,600
Aluminium alloy	-80	to	43,180
Copper	+2,900	to	344,450
Lead	-175	to	116,275
Nickel	-456	to	65,790
Zinc	-475	to	465,825
Tin	+10	to	[illegible]

Wool from Mallett & Co.
Currency factors played a large part in the wool markets this week – with both New Zealand and Australian indicators weaker. New Zealand crossbred wool was cheaper, with the main indicator down 11 cents to 437 NZ cents a kg, nearer to its lowest point for the year. Australia held relatively steady if assessed by the main eastern market indicator, which ended at 706 Australian cents a kg, 4 cents down on the week. Far Eastern problems continue to make the trade nervous about the outlook for demand, especially from China, the leading world buyer.

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.450	+0.625	67.500	66.775	4,485	15,578
Feb	68.175	+0.875	68.350	67.325	9,533	48,350
Apr	71.525	+0.575	71.575	70.850	2,829	21,833
Jun	70.000	+0.450	70.100	69.500	790	13,070
Aug	70.625	+0.500	70.700	70.075	425	5,148
Oct	72.450	+0.100	72.750	72.400	52	1,310
Total					18,114	105,959

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Dec	62.975	+0.525	63.150	62.650	2,801	0,473
Feb	60.625	+0.525	60.800	60.350	2,284	16,809
Apr	57.450	+0.225	57.700	57.400	898	7,509
Jun	65.350	+0.050	65.625	65.350	598	4,038
Jul	64.325	+0.125	64.500	64.300	58	1,302
Aug	62.125	+0.025	62.200	61.950	10	210
Total					6,749	40,867

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	58.850	+0.875	59.250	58.650	1,591	6,577
Mar	57.600	+0.550	58.300	57.500	169	1,098
May	58.875	+0.750	58.950	58.300	322	857
Jul	58.600	+2.100	58.600	56.900	26	396
Aug	54.525	+1.275	55.000	54.100	2	58
Total					2,110	5,812

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1500	86	112	5	20
1600	22	58	40	59
1700	-	20	119	124
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
1700	119	159	10	27
1800	51	96	41	61
1900	15	52	105	115
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1700	129	136	10	73
1750	89	110	21	97
1800	58	84	40	131
■ COCOA LIFFE	Mar	May	Mar	May
975	70	86	19	28
1000	54	83	28	38
1025	42	69	41	49
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
1850	15	42	52	-
1900	6	29	-	-
1950	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.05-7.13	-0.22
Brent Blend (dated)	$17.58-7.69	-0.15
Brent Blend (Jan)	$18.03-8.04	-0.155
W.T.I.	$18.59-8.61w	-0.27

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$187-189	
Gas Oil	$168-171	
Heavy Fuel Oil	$90-92	
Naphtha	$178-179	-1
Jet fuel	$187-189	-1.5
Diesel	$181-183	+1

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	17.85-17.80	-0.325

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

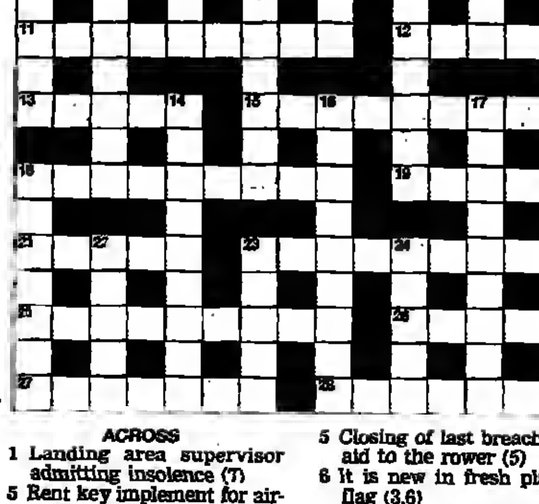
Gold (per troy oz)♣	$288.65	-4.00
Silver (per troy oz)♣	530.00c	-4.00
Platinum (per troy oz.)	$383.00	-4.50
Palladium (per troy oz.)	$206.50	-1.50
Copper	89.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.57r	
Tin (New York)	268.5	
Cattle (live weight)	92.83p	+1.94*
Sheep (live weight)	92.69p	-5.70*
Pigs (live weight)†	60.86p	-2.92*
Lon. day sugar (raw)	$295.80	-1.10
Lon. day sugar (wte)	$301.20	-0.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Dec)¥	54.50p	
Rubber (Jan)¥	54.50p	
Rubber (KL RSS No1)	272.5c	-1.5
Coconut Oil (Phil)§	$687.5y	
Palm Oil (Malay)§	$540.0	
Copra (Phil)§	$400.0	-7.5
Soyabeans (US)	182.0	-4.0
Cotton Outlook 'A' index	75.95c	-0.05
Wooltops (64s Super)	390p	-6

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. [illegible] * Change on week. [illegible]

JOTTER PAD

CROSSWORD

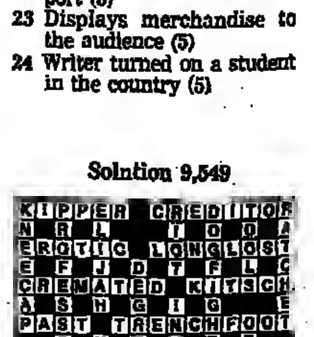
No.9,550 Set by ARMONIE



ACROSS
1 Landing area supervisor admitting insolence (7)
5 Rent key implement for aircraft (7)
9 Nothing surpasses e capital lover (5)
10 The way to be captivated by rosy colour of carpet (9)
11 Entourage about to obtain oriental vegetable (9)
12 Manipulates stated requirements (5)
13 The fellow apprehending one felon (5)
15 Check reckless raids lo game (9)
18 Eat cberry pie in an act of betrayal (9)
19 Uproar about one's bill (5)
21 African people in Burma sail home (5)
23 Man on board appearing after short time between working days (9)
25 Soldier's stiffly formal and incurring censure (9)
26 Prize bull, initially, is sound (5)
27 Getting a couple of bob after sweeping ebows generosity (7)
28 Steward accepting a pound to take over (7)

DOWN
1 Vegetable beving roach cooked with it (7)
2 One de-tailed rodent in dash for car (9)
3 Spike expert's raised but unloaded gun (5)
4 Controversial performer first appearing on a record (9)
5 Closing of last breach is an aid to the rower (5)
6 It is new in fresh plan for flag (3,6)
7 A climber came up (5)
8 The universe is losing carboo by diffusive means (7)
14 Upset Frenchman is taken in by superficial reproduction (9)
16 Conductor of church service condemned dreary ale (3,6)
17 Call about a gold and germanium instrument (4,5)
18 Acrobat has changed directions for cart (7)
20 It is tasty but can be surpassed without a starter (7)
22 Delightful meal, if lacking port (5)
23 Displays merchandise to the audience (5)
24 Writer turned on a student in the country (5)

Solntion 9,549



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FT MANAGED FUNDS SERVICE

Offshore Funds

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

[illegible]

OFFSHORE INSURANCES

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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Professional Investment Consultants

Royal Life International

Royal Scandia Life Assurance Ltd

Aurum Funds

BAS-EX Currency Fund Plc

BEA Associates

Julius Baer Bank & Trust Co Ltd

Bahia Fund

Banca Reig. S.A. (Principality of Andorra)

Banco do Brasil-BB Fund

Banc Internacional D'Andorra Banca Mora

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES
[illegible]

BANKS, RETAIL
[illegible]

BREWERIES, PUBS & REST
[illegible]

BUILDING & CONSTRUCTION
[illegible]

BUILDING MATS. & MERCHANTS
[illegible]

CHEMICALS
[illegible]

CHEMICALS - Cont.
[illegible]

DISTRIBUTORS
[illegible]

DIVERSIFIED INDUSTRIALS
[illegible]

ELECTRICITY
[illegible]

ELECTRONIC & ELECTRICAL EQPT
[illegible]

ENGINEERING
[illegible]

ENGINEERING - Cont.
[illegible]

ENGINEERING, VEHICLES
[illegible]

EXTRACTIVE INDUSTRIES
[illegible]

EXTRACTIVE INDUSTRIES - Cont.
[illegible]

FOOD PRODUCERS
[illegible]

GAS DISTRIBUTION
[illegible]

HEALTH CARE
[illegible]

HEALTH CARE - Cont.
[illegible]

HOUSEHOLD GOODS
[illegible]

INSURANCE
[illegible]

INVESTMENT TRUSTS
[illegible]

INVESTMENT TRUSTS - Cont.
[illegible]

INV TRUSTS SPLIT CAPITAL
[illegible]

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LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind R		[illegible]	[illegible]	[illegible]	[illegible]	1,781	2.9	♦
Barlow	♣	[illegible]	[illegible]	[illegible]	[illegible]	1,110	2.9	♦
Gold Flds Prop R		119½	[illegible]	187	119	12.2	8.7	10.0
SA Brews	†	£14½xd	-	£23¼	£13¼	4,327	2.5	-
Standard Bank		[illegible]	[illegible]	[illegible]	£21	3,141	2.0	-
Tiger Oats		830	-	1100	780	1,254	2.3	♦
Tongaat-Hulett		734½	+3½	780	719½	713.4	2.4	♦

TRADED INDEX SECURITIES

	Notes	Price	+ or -	52 week high	low	Mkt CapCm	Yld Gr's	P/E
FTSE 100 TRADIS		[illegible]	+3100	[illegible]	£472	-	-	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves marked † in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♦ Unregulated collective investment scheme.

a Yield based on [illegible] dividend. b Figures based on prospectus or other official estimates. c [illegible] preliminary figures. d Dividend yield excludes a special payment. f Indicated dividend yield, p/e ratio based on latest annual earnings. g Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1997. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. [illegible] Dividend is paid in whole or part at a [illegible] official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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LONDON STOCK EXCHANGE

Shares surge as bid speculation intensifies

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

Already in festive mood, with dealers confidently talking about an end-year run-up, London's equity market received an early Christmas present from the Monetary Policy Committee which left UK interest rates unchanged.

That news, plus a flurry of intense speculation that more big bids are imminent, gave share prices a second wind, driving the FTSE 100 index up strongly to close a net 111.6 or 2.2 per cent higher at 5,082.3.

The financial sector was the focus of the market's takeover speculation with Norwich Union, floated in the summer, shooting higher on stories that a bid from one of the big banks, specifically Halifax, Barclays or NatWest, is in the pipeline. Other insurers also raced higher, including Commercial Union, General Accident and Prudential.

Talk of further upheavals in UK investment banking and stockbroking kept dealing rooms buzzing with speculation.

The recent sale of Barclays' European and UK equities division to CSFB and NatWest Bank's equities and derivatives businesses to Bankers Trust of the US and Deutsche Morgan Grenfell have triggered a spate of speculation of further imminent moves in that area.

Earlier in the session, the Footsie re-crossed the 5,000 level it lost during late October, when the tremors from the steep losses in far eastern markets rippled across global stocks.

Again it was events in the Far East, where the International Monetary Fund agreed a $55bn rescue package for South Korea, which were partly responsible for triggering the substantial gains in London, as well as other European markets. Hong Kong's Hang Seng index rose 2.3 per cent, and that performance, coupled with a comforting showing by Wall Street prompted the initial impetus behind UK stocks.

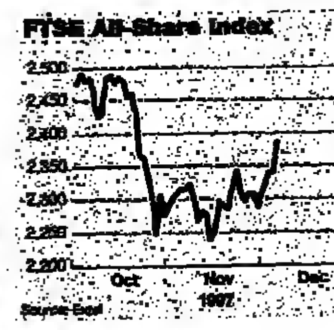
Gilts lent additional support to equities, and were also sustained by the recent strength of US Treasuries. The latter dipped shortly after trading commenced yesterday after tha 3,000 drop weekly jobless figure, which caused unease about today's US non-farm payroll report.

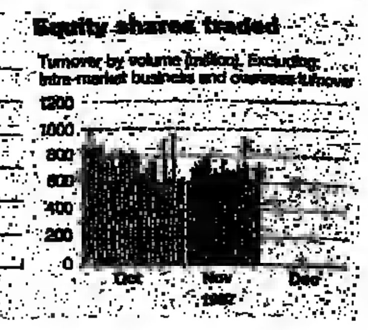
The report is one of the crucial factors used by the US Federal Reserve's open market committee to determine interest rate policy.

The MPC's decision came in the wake of the Confederation of British Industry's November survey of distributive trades, which highlighted a marked slowing in retail sales during the month. But the jobless claims did no damage to Wall Street which continued its run of gains, with the Dow posting a near-20 point rise within ten minutes.

The day's company news was mostly supportive of the market, with Reuters' £1.5bn-worth of capital restructuring driving those shares higher, and GEC's plan to buy in £300m-worth of its stock well received.

The FTSE 250 and Smallcap indices also registered strong gains, the former climbing 28.9 to 4,721.3 and the latter 10.2 to 2,289.1. Turnover at the 6pm cut-off point came out at a highly respectable 850m shares.





Indices and ratios

FTSE 100	5082.3	+111.6	FT 30	3264.4	+57.8
FTSE 250	4724.5	+32.1	FTSE Non-Fins p/e	20.15	19.71
FTSE 350	2442.8	+46.5	FTSE100 Fut Dec	5104.5	+124.5
FTSE All-Share	2385.05	+43.40	10 yr Gilt yield	6.52	6.55
FTSE All-Share yield	3.27	3.33	Long gilt/equity yld ratio	2.00	1.97

Best performing sectors

1. Household Goods ....+5.6
2. Life Assurance ....+3.7
3. Banks: Retail ....+3.3
4. Insurance ....+3.1
5. Gas Distribution ....+2.5

Worst performing sectors

1. Building & Const ....+0.1
2. Textiles & Apparel ....+0.1
3. Diversified Inds ....+0.2
4. Leisure & Hotels ....+0.2
5. Building Mats ....+0.2

Norwich hits new record

By Joel Kibazo, Martin Brice and Peter John

Intense activity in the financial sectors saw insurers emerge as hot favourites to be the initial battleground for the first big takeover in financials since the merger of Royal Insurance and Sun Alliance last year.

Although dealers insisted there was nothing new in the bid stories they said momentum behind general and composite insurers suggested corporate activity in the area looked increasingly likely.

Norwich Union, floated in the summer at a public offer price of 290p share, shot up 25 to a record 393p after heavy turnover of 9.7m shares.

Insurance specialists said the most likely bidder for Norwich among the banks was the Halifax followed by Barclays, NatWest or Abbey National, all of which have been involved in some form of takeover/merger discussions this year.

Another story was that a merger between Norwich Union and General Accident was being prepared, to take advantage of GenAcc's financial strength and Norwich Union's superb brand name, and which would bring big cost savings.

General Accident was close behind Norwich in the performance table, its shares racing up 67 to £10.78. A potential merger between Commercial Union and General Accident was also talked about. CU jumped 43 to 888p.

Other big winners in the sector included Legal & General, up 9¼ at 521½p. Prudential, which has been linked to the high street bank in the past, lifted 29 to 709p, a new closing high. Britannic, at £10.15 and London & Manchester, at 500p, were unchanged on the day, although dealers insisted a merger between the two might be on the cards.

Dalgety gains

Shares in Dalgety gained 13 to 285p as rumours of an impending bid continued to circulate. The word is that Nestlé and the UK's Associated British Foods plan to acquire Dalgety and split the business between them. However, some market specialists attribute the strong advance in Dalgety to impending corporate activity.

Carl Short at SGST said: "We believe that there is a lot more value in the stock than the current share price suggests and we expect positive developments on the corporate front before too long." Associated British foods shares ended the day a penny firmer at 554p.

In the rest of the sector, Cadbury Schweppes eased 1½ to 635½p on what dealers said was general profit-taking. Analysts are to meet with the company within the next few weeks ahead of it going into closed season and one specialist said: "There may be some nervousness ahead of those meetings."

Railtrack up

Among transport stocks, Railtrack was again a strong performer and rose 31 to £10.61, helped by a reiteration by UBS of its "buy" stance.

The transport team put out a very bullish note on the stock recently, and Richard Hannah at the broker said yesterday: "We have always been confident of significant cost savings at Railtrack but now there is also the prospect of volume growth returning to the industry."

P&O rose 13 to 673p as it said it was to float Bovis at 200p a share, raising £225m for P&O rather than the £250m it had originally hoped for.

Reckitt & Colman was the strongest performer in the FTSE 100 index in percentage terms as speculation of a takeover returned.

Potential bidders included Unilever and Palmolive of the US although no specific corporate action was being talked about as yet.

Analysts said although either company is capable of acquiring the group, Unilever is the most likely as it is rapidly building a substantial cash pile and is actively looking to bolster its position in emerging markets, where Reckitt is strong.

Another analyst said the shares were merely cheap at current levels. The shares closed 70½ up at 956¼p.

News and information company Reuters jumped 30¼ to 710p after the company announced it would return £1.5bn to shareholders. Reuters said ordinary shareholders would receive 13 shares in a new holding company, Reuters Group, plus £13.60 for every 15 shares held.

The company repeated its commitment to spend up to £200m a year buying back shares until the end of 1998.

"The shares have been running ahead in anticipation of this," said Anthony de Larrinaga, analyst at Panmure Gordon. "But they are still not overvalued."

Reed International was the worst performing blue chip after the group delivered a cautious earnings outlook and the shares fell 15¼ to 618p.

The Anglo-Dutch group said results would be "significantly" affected by sterling's strength, 1997 results would contain exceptional items, and it was not yet possible to quantify the full financial effect of the compensation or impact on the travel unit's profitability.

GEC climbs

GEC was one of the better performers in the Footsie, the shares climbing 13¼ to 403½p after the company said it planned a £300m share buy-back and its GEC Alsthom joint venture would list in Paris, London and New York.

While the results, which advanced from £421m to £442m, were ahead of some expectations, analysts generally were said not to be upgrading their forecasts.

Siebe was also in demand. The stock gained 41 to £12.21. Sentiment in the stock was helped by the recent strong results, and the news yesterday that Janus Capital Corporation of the US had this week increased its stake, from 5.06 per cent in July to 6.07 per cent. A 2.4 per cent rise in Hong Kong's Hang Seng index helped HSBC rise 5.5 per cent. Dealers said that other positive factors included a Korean agreement on a cash injection from the International Monetary Fund. The shares gained a net 84 to £15.98.

National Westminster dismissed a press report that the company was poised to merge with ABN Amro. But the rumour that the bank may merge with another bank or insurer persisted.

Profit-taking and downgrades from several brokers saw shares in hotel and casino group Stakis move against the strong market trend. The shares closed down 5¾ or 5.4 per cent at 100p, the worst performer in the FTSE 250.

FT 30 INDEX

	Dec 4	Dec 3	Dec 2	Dec 1	Nov 28	Yr ago	*High	*Low
FT 30	3264.4	3206.6	3205.2	3182.2	3135.8	2797.1	3430.3	2968.8
Ord. div. yield	3.47	3.55	3.55	3.57	3.62	4.05	4.22	3.29
P/E ratio net	21.18	20.72	20.73	20.58	20.29	17.03	22.39	15.8
P/E ratio nil	20.89	20.43	20.45	20.30	20.01	16.87	22.02	15.71

FT 30 since compilation: high 3430.3 16/10/97; low 49.4 18/02/50. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
3207.3	3243.0	3246.5	3250.9	3253.5	3260.9	3259.8	3253.2	3258.4	3271.0	3207.3

	Dec 4	Dec 3	Dec 2	Dec 1	Nov 28	Yr ago
SEAQ bargains	62,014	44,637	50,919	46,525	39,824	36,338
Equity turnover (£m)†	-	2369.4	2597.9	2503.1	2137.8	1815.9
Equity bargains†	-	39,481	41,328	39,519	35,883	20,301
Shares traded (mil)†	-	676.1	732.5	709.0	622.3	431.0

†Excluding intra-market and overseas turnover but including Crest turnover.

■ **London market data**

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	1,098	Total Highs	93	Total contracts	32,474
Total Falls	421	Total Lows	69	Calls	19,230
Same	1,528			Puts	13,244

*Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	5012.0	5099.0	+108.0	5110.0	5012.0	12108	60119
Mar	5065.0	5145.5	+108.5	5140.0	5065.0	2887	9294

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4720.0	4720.0	+25.0	4720.0	4720.0	1040	8258
Mar	4795.0	4795.0	+25.0	4795.0	4796.0	823	226

■ FTSE 100 INDEX OPTION (LIFFE) (*5074) £10 per full index point

	4900 C	4900 P	4950 C	4950 P	5000 C	5000 P	5050 C	5050 P	5100 C	5100 P	5150 C	5150 P	5200 C	5200 P	5250 C	5250 P
Dec	234	29½	192½	39	154½	51½	118	65½	87½	89½	62½	116½	41½	148	27	185½
Jan	294½	74½	256½	87	216	101½	188	121½	159½	141	129½	164½	101½	184	77½	224½
Feb	369	115	329½	128	287½	146½	254	165½	222½	185½	190½	207	164	235	139½	264
Mar	381½	148	357½	165	324½	183	291½	201	259½	220	227½	240½	203	267½	179	294½
Jun†	462½	209			430	244½			367	282			310	328		

Calls 6,530 Puts 1,805

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4925 C	4925 P	4975 C	4975 P	5025 C	5025 P	5075 C	5075 P	5125 C	5125 P	5175 C	5175 P	5225 C	5225 P	5275 C	5275 P
Dec	204½	30½	165½	42	130½	57	99	75	73	99	50½	128½	33½	159	23½	199
Jan	276	78½	232½	91	198	105	166	123	137	144	111	167½	87	193	67½	223
Feb	336	118	300	124	267	150	238	169½	206	187½	179	209½	164½	234	132	261
Mar	366½	150½			301½	183½			243	223			198½	274½		
Jun†	481½	215			419½	249			357	283			300½	322½		

Calls 7,887 Puts 6,758 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§ -	F.P.	50.3	100½	99½	Advance UK Tst	100½		-	-	-	-
-	F.P.	31.8	207½	188	BCH Group	199½		RN6.2	1.7	3.9	18.8
-	F.P.	1,354	30½	28½	BG 'B'	30½		-	-	-	-
-	F.P.	-	16½	16½	Boustead	16½		-	-	-	-
§90	F.P.	15.4	120½	102½	†CRC	120½	+8	W-	-	-	21.7
§	F.P.	6.92	114	113½	Capital Opps Tst	113½		-	-	-	-
§150	F.P.	8.47	153½	153½	†Cresco Intl	153½		-	-	-	-
-	F.P.	-	£75½	£72½	Flmg Grd Units	£72½		-	-	-	-
*	F.P.	21.8	100	100	Foresight Tech	100		-	-	-	-
*	F.P.	1.20	35	5½	Do Warrants	30		-	-	-	-
*	F.P.	73.5	99½	70½	†Metalrax...	73½		-	-	-	-
§45	F.P.	22.6	57½	50½	†Minorplanet Sys	57½		-	-	-	-
-	F.P.	19.7	128	115½	Nthn Recruitment	120½		L1.73	4.1	1.8	15.2
70	F.P.	24.5	69½	53	Nott'ham Forest	54		-	-	-	-
-	F.P.	7.81	60	6	†Range Cooker Co	6¼		-	-	-	11.8
§95	F.P.	5.58	114½	104½	†Savoy Asset Mngt	113½		W4.08	2.0	4.5	14.0
§250	F.P.	15.9	255	253	Seascope Ship	250	-2	R12.5	2.4	6.2	8.5
§160	F.P.	44.0	175½	160	Tetra	175		L0.8	6.8	0.6	29.3
-	F.P.	58.5	210½	187½	Workplace Tech	195		RN1.5	5.2	1.0	24.8

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Dec 3	% chg on day	Dec 2	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (33)	961.12	-1.2	972.68	1880.06	2.92	-	1907.40	961.12
■ Regional Indices								
Africa (15)	965.06	-1.5	979.43	2151.14	7.38	17.14	2333.56	965.06
Australasia (6)	989.87	+1.6	972.83	2061.45	3.78	12.51	2217.60	951.48
North America (12)	967.40	-1.5	982.26	1665.73	1.33	35.98	1793.48	967.40

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Dec 4	Day's chge%	Dec 3	Dec 2	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5082.3	+2.2	4970.7	4977.8	4051.2	3.21	2.63	2.05	18.99	139.63	2191.67
FTSE 250	4724.5	+0.7	4692.4	4688.4	4435.8	3.55	2.92	1.78	19.83	139.00	1985.89
FTSE 250 ex IT	4759.4	+0.6	4730.4	4703.8	4471.5	3.65	3.02	1.82	18.81	144.19	2017.49
FTSE 350	2442.8	+1.9	2396.3	2395.6	2012.2	3.29	2.69	1.99	19.14	68.04	2152.15
FTSE 350 ex IT	2446.5	+2.0	2399.8	2400.0	-	3.29	2.70	2.00	18.94	36.10	1105.48
FTSE 350 Higher Yield	2422.8	+1.7	2382.1	2378.0	1927.4	4.24	3.51	1.81	16.28	84.04	1815.71
FTSE 350 Lower Yield	2474.5	+2.1	2422.6	2426.7	2104.4	2.45	1.98	2.26	22.55	52.54	1778.25
FTSE SmallCap	2291.42	+0.5	2278.94	2275.01	2168.95	3.24	2.61	1.81	24.03	61.67	1966.64
FTSE SmallCap ex IT	2295.02	+0.5	2284.35	2279.20	2164.43	3.47	2.80	1.67	21.60	66.56	1968.37
FTSE All-Share	2385.05	+1.9	2341.65	2341.68	1993.73	3.27	2.68	1.97	19.40	66.27	2132.54
FTSE All-Share ex IT	2390.81	+1.9	2346.88	2346.94	-	3.30	2.71	1.98	19.07	35.52	1099.66

■ **FTSE Actuaries Industry Sectors**

	Dec 4	Day's chge%	Dec 3	Dec 2	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4503.11	+1.5	4435.80	4428.33	3880.86	3.47	2.76	1.81	19.86	140.69	2036.58
12 Extractive Industries(5)	2960.07	+0.6	2942.83	2916.01	4182.56	4.74	3.37	1.89	13.94	138.84	912.36
15 Oil, Integrated(3)	4965.25	+1.7	4884.58	4879.47	4008.09	3.51	2.88	1.77	20.14	154.87	2313.94
16 Oil Exploration & Prod(12)	3606.88	+1.2	3563.22	3568.84	2927.45	1.59	1.31	2.32	33.83	82.82	2216.59
20 GEN INDUSTRIALS(256)	2019.54	+1.2	1995.00	1988.29	1958.57	3.88	3.30	1.88	17.12	67.67	1168.73
21 Building & Construction(35)	1317.17	+0.1	1315.84	1317.89	1155.73	3.49	2.81	2.31	15.54	40.88	1158.84
22 Building Matls & Merchs(30)	1789.02	+0.2	1784.57	1794.81	1810.75	4.42	3.69	1.84	15.32	65.53	957.89
23 Chemicals(26)	2512.73	+2.2	2458.52	2442.51	2378.28	3.69	3.44	1.71	18.47	91.59	1266.87
24 Diversified Industrials(13)	1341.85	+0.2	1339.18	1332.07	1376.23	5.08	4.78	2.63	9.37	66.24	911.78
25 Electronic & Elect Equip(40)	2220.18	+2.1	2173.88	2171.48	2239.90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Engineering(71)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Engineering, Vehicles(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
28 Paper, Pckg & Printing(27)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Textiles & Apparel(20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
30 CONSUMER GOODS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Health Care	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
105 FTSE All-Share ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE AIM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	827	515	+5
AMVESCAP	208	445	+4
ASDA Group†	[illegible]	171	+3½
[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

هكذا من الاصل

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 4 / Sch)

BELGIUM/LUXEMBOURG (Dec 4 / Frs.)

CZECH REP (Dec 4 / Korona)

DENMARK (Dec 4 / Kr)

FINLAND (Dec 4 / Mks)

FRANCE (Dec 4 / Frs.)

GERMANY (Dec 4 / Dm.)

GREECE (Dec 4 / Drachma)

ITALY (Dec 4 / Lira)

NETHERLANDS (Dec 4 / Fls.)

NORWAY (Dec 4 / Kroner)

POLAND (Dec 4 / Zloty)

PORTUGAL (Dec 4 / Escudo)

SPAIN (Dec 4 / Pta.)

SWEDEN (Dec 4 / Kronor)

SWITZERLAND (Dec 4 / Frs.)

TURKEY (Dec 4 / Tk Lira)

PACIFIC

JAPAN (Dec 4 / Yen)

HONG KONG (Dec 4 / H.K.$)

INDONESIA (Dec 4 / Rupiah)

MALAYSIA (Dec 4 / MYR)

NEW ZEALAND (Dec 4 / NZ $)

SINGAPORE (Dec 4 / S$)

AUSTRALIA (Dec 4 / Aust$)

SOUTH KOREA (Dec 4 / Won)

TAIWAN (Dec 4 / TW $)

THAILAND (Dec 4 / Baht)

AFRICA

SOUTH AFRICA (Dec 4 / Rand)

NORTH AMERICA

CANADA

TORONTO (Dec 4 / Can $)

4 pm close

MONTREAL (Dec 4 / Can $)

4 pm close

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 3 1997							TUESDAY DECEMBER 2 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (75)	203.06	1.2	178.80	165.11	186.69	199.79	1.6	3.77	200.63	176.81	163.20	185.10	196.59	243.87	190.41	218.93
Austria (21)	188.80	1.1	166.24	153.52	173.58	173.48	0.7	1.94	186.74	164.57	151.90	172.29	172.21	213.59	175.14	183.80
Belgium (27)	255.44	0.8	224.91	207.70	234.84	229.80	0.4	3.00	253.45	223.35	206.17	233.83	228.83	261.11	221.31	224.04
Brazil (30)	234.24	0.4	206.25	190.46	215.35	478.63	0.5	1.59	233.25	205.55	189.74	215.20	478.19	322.44	178.98	184.04
Canada (122)	213.99	0.4	188.42	174.00	196.73	216.70	0.1	1.80	213.11	187.80	173.35	196.61	219.42	233.66	178.27	193.49
Denmark (32)	425.38	0.2	374.55	345.88	391.06	389.49	-0.1	1.32	424.64	374.21	345.42	391.77	390.07	429.78	333.94	334.29
Finland (26)	290.42	-2.8	255.72	236.14	267.00	325.82	-3.2	1.83	298.89	263.40	243.13	275.75	336.53	349.43	232.86	238.74
France (84)	235.33	0.3	207.21	191.35	216.36	218.49	0.0	2.44	234.55	206.70	190.79	216.40	218.55	246.23	203.78	212.49
Germany (58)	225.46	0.6	198.52	183.33	207.28	207.28	0.3	1.42	224.10	197.49	182.29	206.75	206.75	243.87	183.03	186.83
Hong Kong, China (66)	374.62	0.3	329.86	304.61	344.41	372.07	0.2	4.30	373.63	329.26	303.92	344.70	371.16	580.03	314.78	511.20
Indonesia (27)	87.34	-4.1	76.90	71.01	80.29	210.18	-1.3	3.20	91.11	80.29	74.11	84.06	212.95	254.90	87.34	222.02
Ireland (16)	386.89	0.6	340.66	314.59	355.70	370.43	0.6	2.66	384.57	338.90	312.82	354.80	368.09	394.88	310.26	315.09
Italy (53)	110.97	0.4	97.71	90.23	102.02	143.65	0.1	1.70	110.54	97.41	89.92	101.98	143.48	115.27	79.11	81.72
Japan (482)	101.60	-1.4	89.46	82.61	93.41	82.61	-1.4	0.96	103.05	90.82	83.83	95.06	83.83	141.12	95.91	137.08
Malaysia (107)	171.40	0.1	150.91	139.36	157.58	241.49	1.7	3.02	171.29	150.95	139.33	158.03	237.35	880.85	170.21	595.73
Mexico (27)	1729.44	0.2	1522.78	1406.24	1589.99	15377.61	-0.1	1.59	1726.72	1521.66	1404.57	1593.05	15393.04	1901.98	1147.96	1228.02
Netherlands (19)	410.97	-0.2	361.86	334.16	377.83	373.78	-0.5	2.24	411.85	362.79	334.85	379.79	375.72	440.67	313.78	323.71
New Zealand (14)	83.04	2.5	73.12	67.52	76.35	72.87	2.8	4.24	81.03	71.41	65.91	74.76	70.86	96.47	75.37	92.79
Norway (38)	323.88	-0.1	285.18	263.35	297.76	314.29	-0.9	1.94	324.34	285.83	263.83	299.24	317.31	374.64	277.33	263.89
Philippines (22)	84.95	0.8	74.80	69.07	78.10	149.12	1.3	1.39	84.27	74.23	68.55	77.75	147.20	214.07	73.40	199.58
Singapore (42)	252.96	-1.2	222.73	205.68	232.56	188.01	-1.0	1.70	256.03	225.63	208.26	236.21	189.96	448.01	215.21	414.09
South Africa (43)	269.61	-0.7	237.39	219.22	247.87	286.45	-0.6	3.03	271.40	239.17	220.77	250.39	288.30	370.12	259.47	324.06
Spain (33)	270.16	-0.2	237.87	219.67	248.37	305.80	-0.6	2.21	270.81	238.65	220.29	249.85	307.76	277.33	198.92	200.37
Sweden (49)	484.79	-1.1	426.86	394.18	445.70	556.41	-1.6	1.88	490.40	432.16	398.90	452.43	565.32	538.94	402.43	415.23
Switzerland (32)	330.59	0.4	291.09	268.81	303.94	292.62	0.1	1.15	329.32	290.21	267.88	303.83	292.47	330.59	231.69	240.01
Thailand (39)	22.52	-1.0	19.83	18.31	20.70	37.17	0.8	7.64	22.74	20.04	18.50	20.98	36.83	110.44	22.52	110.44
United Kingdom (215)	329.13	0.0	289.80	267.62	302.59	289.80	-0.1	3.40	329.05	289.98	267.66	303.58	289.98	337.99	261.60	269.52
USA (642)	398.00	0.6	350.44	323.62	365.90	398.00	0.6	1.55	395.79	348.79	321.95	365.15	395.79	399.82	293.43	304.70
Americas (821)	361.42	0.6	318.23	293.87	332.28	304.94	0.5	1.57	359.45	316.77	292.39	331.63	303.32	365.75	268.24	278.61
Europe (705)	285.58	0.1	251.45	232.21	262.55	265.18	-0.1	2.42	285.28	251.40	232.06	263.20	265.59	298.25	227.46	232.24
Nordic (147)	419.62	-1.1	369.65	341.36	385.97	416.82	-1.5	1.79	424.46	374.05	345.27	391.60	426.34	464.93	345.30	353.67
Pacific Basin (874)	112.48	-1.0	99.04	91.46	103.41	92.17	-0.6	1.61	113.60	100.11	92.61	104.81	93.04	158.99	107.50	155.53
Euro-Pacific (1579)	184.69	-0.3	162.62	150.17	169.80	157.10	-0.4	2.13	185.22	163.23	150.67	170.88	157.79	209.12	173.55	187.39
North America (764)	386.28	0.6	340.12	314.09	355.14	385.98	0.5	1.57	384.17	338.54	312.49	354.43	383.81	388.57	286.81	296.07
Europe Ex. UK (490)	255.88	0.1	225.30	208.06	235.25	245.15	-0.2	1.86	255.50	225.16	207.83	235.72	245.65	267.07	202.63	207.30
Pacific Ex. Japan (392)	210.15	0.4	185.04	170.88	193.20	205.39	0.6	3.78	209.22	184.38	170.19	193.03	203.67	320.65	194.30	314.62
World Ex. US (1801)	188.53	-0.2	166.00	153.30	173.33	163.82	-0.4	2.11	189.00	166.55	153.74	174.37	184.47	212.89	176.94	189.65
World Ex. UK (2228)	249.04	0.2	219.28	202.50	228.96	225.56	0.1	1.64	248.60	219.07	202.22	229.35	225.31	262.89	211.16	221.70
World Ex. Japan (1961)	333.23	0.4	293.41	270.95	306.36	324.84	0.3	1.95	331.94	292.52	270.01	306.24	323.83	344.35	264.51	272.37
The World Index (2443)	255.86	0.2	225.28	208.04	235.23	231.46	0.1	1.83	255.44	225.11	207.79	235.67	231.25	268.47	216.51	225.60

Emerging markets: IFC Investable indices

Dollar terms

FT Free Annual Reports Service

4 pm close December 4

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev
[illegible]										

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

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- M -

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- N -

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- O -

[illegible]

- P - Q -

[illegible]

- R -

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- S -

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- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Extel, part of FT Information

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. cld-called. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
x Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Dec 3	Dec 2	Dec 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	8032.01	8018.83	8013.11	8259.31 (6/8)	6391.69 (11/4)	8259.31 (6/8/97)	41.22 (8/7/32)
Home Bonds	104.52	104.57	104.58	104.78 (20/11)	101.00 (14/4)	104.78 (20/11/97)	54.99 (1/10/81)
Transport	3290.64	3288.30	3281.79	3359.27 (15/10)	2222.07 (2/1)	3359.27 (15/10/97)	13.23 (8/7/32)
Utilities	258.45	259.47	261.16	261.16 (1/12)	209.47 (25/4)	261.16 (1/12/97)	16.53 (8/7/32)

DJ Ind. Day's high 8118.30 (8098.68) Low 7915.83 (7935.03) (Theoretical)
Day's high 8078.02 (8041.71) Low 7981.84 (7995.21) (Actual)

Standard and Poors	Dec 3	Dec 2	Dec 1	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	976.77	971.68	974.77	983.12 (7/10)	737.01 (2/1)	983.12 (7/10/97)	4.40 (1/6/32)
Industrials♥	1133.35	1127.57	1132.41	1146.82 (7/10)	865.42 (11/4)	1146.82 (7/10/97)	3.52 (30/6/32)
Financial♥	119.03	118.10	117.82	119.03 (3/12)	80.75 (2/1)	119.03 (3/12/97)	7.13 (4/8/74)
Others							
NYSE Comp.	510.15	507.84	507.73	514.21 (7/10)	389.47 (11/4)	514.21 (7/10/97)	4.64 (25/4/42)
Amex Comp	669.10	665.70	664.18	721.98 (7/10)	541.20 (28/4)	721.98 (7/10/97)	324.20 (16/7/98)
NASDAQ Cmp	1615.13	1606.38	1630.72	1745.85 (9/10)	1201.00 (2/4)	1745.85 (9/10/97)	54.87 (3/10/74)
Russell 2000	433.81	432.48	434.15	465.21 (13/10)	335.85 (25/4)	465.21 (13/10/97)	123.36 (7/12/93)

RATIOS

	Nov 28	Nov 21	Nov 14	Year ago
Dow Jones Ind. Div. Yield	1.74	1.73	1.78	2.02
	Dec 3	Nov 26	Nov 18	Year ago
S & P Ind. Div. yield	1.46	1.50	1.50	1.83
S & P Ind. P/E ratio	26.33	25.78	25.38	23.05

US DATA

MARKET ACTIVITY

Volume (million)	Dec 3	Dec 2	Dec 1
NYSE	634.470	591.480	596.590
Amex	25.300	28.582	30.974
NASDAQ	730.808	682.123	819.427

NYSE	Dec 3	Dec 2	Dec 1
Issues Traded	3,448	3,469	3,445
Rises	1,659	1,631	2,019
Falls	1,253	1,317	984
Unchanged	536	521	442
New Highs	222	252	298
New Lows	54	53	63

NYSE TRADING ACTIVITY — Volume : 634,470,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Chiron	11,311,400	15	-⅜
Texas Ins	9,171,800	46¼	-½
Compaq	8,831,800	65⅞	+1⅛
Merck	5,378,500	98	+3¼
Bay Nwk	5,069,300	28⅞	+1⅛
Citigrp	5,031,700	24¼	-¼
Ph Morris	4,867,700	45¾	+1⅛
AT & T	4,725,500	57	+¼
BB & T	4,678,200	63¾	+7⅞
IBM	4,251,300	110⅞	-⅛

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
BB & T	63¾	+7⅞	+13.5
Nil Olivett	35¾	+3⅜	+10.7
Cox Radio	37¾	+3⅝	+10.5
Smith Inl	69⅞	+6¾	+10.4
Downs			
Solectrn	33⅞	-4⅜	-11.7
Total Sys	27	-2⅜	-8.3
Russ Bry	28⅞	-2⅛	-7.2
Reebok	35⅞	-1⅞	-5.2

NASDAQ TRADING ACTIVITY — Volume :730,808,000

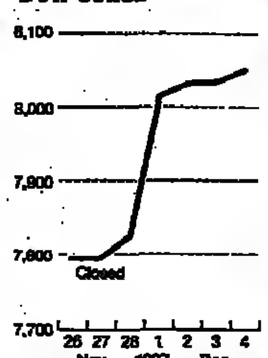
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Three Com	29,658,500	34⅞	-⅞
Cisco Sys	17,108,000	86¾	+¾
Intel	13,713,400	78¼	+⅛
Oracle	12,118,500	30¼	-⅛
LM Erics	11,808,700	39¾	+1⅛
Dell Cmp	10,706,300	91⅞	+2¾
Quantum	10,028,800	24½	-⅛
Sun Micro	9,420,400	36⅞	+1⅞
Appld Mtl	9,401,300	33⅞	-⅛
Adaptec	8,530,400	41⅞	-4½

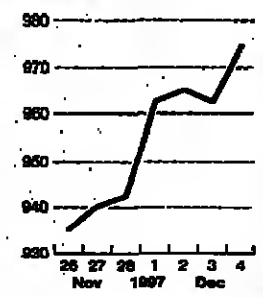
BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Apld Anlyt	17½	+3¼	+22.8
Gulf Isld	25½	+4⅛	+19.3
Weyco	28	+3¾	+15.6
First Bncrp	35	+4½	+14.7
Downs			
Food Tec	8¼	-3⅜	-29.4
Super Vsn	11½	-3⅝	-23.7
Anchor Gm	64	-12	-15.8
Methode El	18	-2¾	-13.5

Dow Jones



FTSE Eurotop 300



JAPAN

	Dec 4	Dec 3	Dec 2	1997 High	1997 Low	Since compilation High	Since compilation Low
Nikkei 225	16308.79	16585.51	16910.29	20681.07	15082.52	38915.9	85.25

TOKYO TRADING ACTIVITY — Volume : 391,000,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Daiwa Secs	18,728,000	410	-32
Yamaichi T & B	15,139,000	115	-10
Np Steel Co	15,070,000	221	-14
Yamaichi Sec	12,874,000	1	-1
Daiwa Bank	9,628,000	315	-15
Fuji Bank	8,738,000	682	-40
Hokuriku Bk	8,521,000	165	-49
Sakura Bank	8,516,000	447	-19
LTCB	8,485,000	218	-25
Mitsui T & O	6,086,000	257	-3

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Kawasho Gcs	490	+46	+10.4
Denny Jpn	3290	+290	+9.7
Shinu Eng	290	+25	+0.4
Nozaki & Co	110	+9	+8.9
Downs			
Hokuriku Bk	165	-49	-22.9
Ashikaga Bk	205	-58	-22.1
Tky Tatemono	343	-79	-18.7
Yahara Oil	240	-50	-17.2

GERMANY

	Dec 4	Dec 3	Dec 2	1997 High	1997 Low	Since compilation High	Since compilation Low
DAX	4139.80	4082.89	4072.96	4438.93	2848.77	4438.93	931.18

FRANKFURT TRADING ACTIVITY — Volume : 10,254,336

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Veba	1,284,311	114.95	+8.35
Bayer	778,333	66.3	-0.6
Commerzbnk	698,604	62.2	+0.6
Deutsche Bk	690,292	115.35	+0.85
Lufthansa Rg	651,946	34.1	-1.1
BASF	588,300	65	-0.1
RWE Pref	531,782	78.8	+3.3
Dt Telekom	510,853	36.8	+0.2
Siemens	470,022	108.7	+2
Hoechst	429,341	63.4	+0.58

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Rosenthal	200	+30	+17.0
Veba	114.95	+8.35	+7.8
Degussa	91.5	+6.5	+7.0
Ahlers NV	510	+35	+7.4
Downs			
Babcock-BSH	105.2	-5.8	-5.2
Zanders Fpp	133	-1	-5
Heritz	113.5	-5.5	-4.6
CEAG Inds	210	-8	-3.7

FRANCE

	Dec 4	Dec 3	Dec 2	1997 High	1997 Low	Since compilation High	Since compilation Low
CAC 40	2914.45	2902.35	2913.09	3094.01	2256.97	3094.01	984.61

PARIS TRADING ACTIVITY — Volume : 412,366,840

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Fr Telecom	1,772,850	211	+1.2
Axa-UAP	1,723,619	444.0	-6
Elf Aquit	1,079,261	670	-1
Alcatel Al	1,034,411	740	+8
Paribas A	1,027,526	444.1	+1.9
Usinor	1,019,537	91.85	-1.05
Scor	966,400	297.2	+11.4
B.N.P.	847,043	300	+7.2
Renault	769,192	177	+3.0
Rhn-Plnc A	752,558	270.2	+1.2

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Up			
Locindus	72	+12	+20
Locamion	478	+76.8	+19.1
BIMP	110	+14.9	+15.7
Eaux Mal Vch	3197	+422	+15.2
Downs			
Fimalac	261	-33	-11.2
Mumley	2351	-249	-9.0
SCAC Delmas	985	-95	-8.8
Ile-de-France	1320	-101	-7.1

UK

	Dec 4	Dec 3	Dec 2	1997 High	1997 Low	Since compilation High	Since compilation Low
FTSE 100	5082.3	4970.7	4977.6	5330.80	4056.80	5330.8	986.9

LONDON TRADING ACTIVITY — Volume : 937,500,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
BTR	25,320,340	208	-2
Grand Met	31,438,600	541	+12
Shell T&T	20,210,440	419½	+1½
Halifax	11,197,810	725	+13
Vodafone	15,503,330	392	+18
Br Airways	11,550,830	545½	+5½
BT	11,295,860	473½	+4½
Br Biotech	10,882,460	110½	+1
Astec (BSR)	9,875,200	115½	-2
Rentokil In	9,902,411	255½	+7½

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
FI Grp	845	+107½	+14.6
Clinical Cmp	39½	+5	+14.5
Fired Earth	263½	+32½	+14.1
Electronica	42½	+5	+13.1
Downs			
Jones Stoop	27½	-6	-17.9
Meckle Int	18½	-4	-17.0
Widney	38½	-7	-16.1
Phytopharm	27½	-6	-12.2

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	977.50	981.70	+4.20	983.00	976.30	127,850	342,760
Mar	994.00	992.50	+4.10	994.00	992.50	28,616	66,011
Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Dec	16600.0	16390.0	-250.0	16630.0	16260.0	31,075	142,922
Mar	16540.0	16370.0	-240.0	16650.0	16280.0	13,513	66,582

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2938.0	2925.0	+17.0	2959.0	2925.0	17,768	44,178
Jan	2944.0	2932.0	+17.5	2953.5	2941.0	37	4,604
DAX							
Dec	4108.0	4163.0	+88.0	4180.0	4095.5	21,953	71,890
Mar	4144.5	4200.0	+86.5	4210.5	4133.5	1,941	10,242

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Dec	2466.00	2512.00	+58.00	2512.00	2466.00	5,579	28,096
Jan	2479.25	2505.00	+39.00	2505.00	2479.25	22	804
SOFFEX							
Dec	5960.0	5971.0	+54.0	6000.0	5943.0	3,505	20,478
Jan	-	5979.1	+54.1	-	-	312	1,892

WORLD MARKETS AT A GLANCE

Country	Index	Dec 4	Dec 3	Dec 2	1997 High	1997 Low	Yield	P/E
Argentina	General	22789.82	22778.52	22451.27	25771.70 22/10	18237.37 2/1	3.25	19.1
Australia	All Ordinaries	2552.5	2562.4	2524.8	2779.20 25/9	2290.20 28/10	3.56	18.5
	All Mining	578.8	585.2	563.6	987.19 24/2	541.19 27/11		
Mining stocks lower in parallel with metal prices. News Corp against the trend after Merrill Lynch "buy" recommendation.								
Austria	Credit Aktien	446.19	439.27	435.78	474.42 2/10	374.40 9/1	2	14.9
	Traded Index	1304.86	1285.02	1276.10	1480.49 31/7	1130.22 9/1		
Market pushed back above 1,300 level, cheering dealers. Erste Bank closed Sch5 higher at Sch615 on its debut.								
Belgium	BEL20	2484.22	2472.73	2462.74	2821.98 28/7	1871.05 2/1	2.3	16.4
Banque Bruxelles Lambert again the main feature, rising 4 per cent in the wake of gains at its acquirer, ING.								
Brazil	Bovespa	10188.0	9992.0	9964.0	13617.00 8/7	6955.50 2/1	0.49	na
Canada	TSE 100♦	405.78	405.34	404.35	430.48 7/10	342.12 11/4	1.85	20
	Metals Mins♦	3980.19	3984.33	4005.47	5891.76 10/3	3781.95 26/11		
	Composite♦	6690.10	6681.20	6667.50	7208.90 7/10	5878.39 14/4		
	Portfolio§§	3394.60	3394.44	3388.52	3547.00 7/10	2846.92 11/4		
‡Stronger industrials, chemicals and energy stocks offset a weaker gold sector.								
Chile	IGPA Gen♥	4983.61	4960.22	4955.19	5666.71 4/7	4612.42 2/1	3.61	15.9
China	Shanghai B	57.10	57.00	54.82	98.21 7/5	54.11 1/12	1.2	70.9
	Shenzhen B	99.76	97.19	94.93	184.20 6/5	94.93 2/12		
Institutional buying pushed Shanghai B shares back to square after morning weakness.								
Colombia	IBB	(u)	1398.29	1408.00	1533.72 16/10	844.41 2/1	na	na
Czech Republic	PX 50	467.5	467.1	463.3	629.09 25/2	458.50 1/12	na	na
Shares trimmed gains towards the close but the market still finished ahead for the third successive session.								
Denmark	CopenhagenSE	644.57	638.04	641.15	662.81 8/10	478.14 2/1	1.34	20.3
Bank shares led the market higher on speculation about possible mergers in the sector.								
Egypt	Cairo SE Gen	339.48	338.85	342.54	- - -	- -	na	na
Shares ended flat but dealers said there were signs of rising buying interest from investors.								
Finland	HEX General	3409.97	3357.97	3440.82	3800.81 22/10	2483.28 2/1	2.37	14.1
Nokia rebounded after Wednesday's fall as a number of brokers re-iterated their positive stance on the stock.								
France	SBF 250	1893.56	1883.60	1884.57	2009.43 31/7	1533.19 2/1	2.51	17.4
	CAC 40	2914.45	2902.35	2913.09	3094.61 3/10	2256.97 2/1		
Financial stocks again in demand on bid rumours. Credit Foncier ended 13 per cent higher.								
Germany	FAZ Aktien	1359.77	1340.30	1349.53	1481.44 31/7	986.21 2/1	1.44	20.1
	Commerzbank	4015.70	3953.90	3979.10	4338.70 31/7	2876.90 2/1		
	DAX‡	4139.80	4082.89	4072.96	4438.93 31/7	2848.77 2/1		
Utility stocks were the main feature after Veba announced a wide ranging restructuring.								
Greece	Athens SE	1550.31	1543.59†	1521.57	1794.14 8/10	954.54 2/1	2.97	16.1
Last minute buying of banking shares helped the market recover after mid-session falls triggered by profit taking.								
Hong Kong	Hang Seng	11474.94	11207.38	11216.35	16673.27 7/8	9059.89 28/10	3.48	11.1
	HSCC Red Chip	1914.40	1836.38	1858.50	4110.55 27/8	1668.38 28/10		
Utilities posted the biggest gains with HK Telecom and China Light and Power both up strongly.								
Hungary	Bux	7126.56	6917.73	6912.08	8483.80 6/8	4291.38 6/1	na	na
Recently-listed telecommunications utility Matav was the main feature, rising on the back of strong institutional demand.								
India	BSE Sens.	3527.10	3582.37	3553.48	4548.02 5/8	3225.24 2/1		
	Crisil 500	649.08	656.15	654.99	843.28 5/8	622.71 2/1	na	na
Shares remained towards the close on news that president K.R. Narayanan intended to dissolve parliament.								
Indonesia	Jakarta Comp.	401.93	399.68	394.28	740.83 8/7	398.65 3/12	3.04	11.2
Aggressive buying by 2 state securities firms sparked speculation that state-controlled firms were buying stocks.								
Ireland	ISEQ Overall	3853.58	3831.51	3813.49	3853.58 4/12	2725.87 2/1	2.29	18.4
Shares extended Wednesday's gains on speculation of possible bids in the banking sector.								
Israel	Mishtanim 100	(u)	(u)	288.85	311.79 6/8	214.15 2/1	na	na
Bourse closed by national strike.								
Italy	BCI Comit 30	234.67	232.20	232.81	242.86 26/9	165.34 2/1	1.64	20
	Banca Com Ital	986.3	975.98	977.02	1006.89 22/10	660.42 2/1		
	Mibtel General	15733.0	15594.0	15692.0	16058.00 26/9	10466.00 2/1		
Shares again stronger on long-running hopes of an interest rate cut. Merger rumours pushed banking stocks higher.								
Japan	Nikkei 225	16308.79	16585.51	16910.29	20681.07 16/6	15082.52 14/11	0.92	42.7
	Nikkei 300	244.53	248.64	251.98	309.71 26/7	229.77 14/11		
	Topix	1228.74	1251.18	1270.08	1560.28 26/6	1177.82 14/11		
	2nd Section	1277.90	1296.30	1300.34	1848.25 30/6	1271.89 28/11		
Moody's decision to put the credit ratings of 3 regional banks under review for downgrade weighed down financial sector.								
Jordan	Amman SE	(u)	172.27	172.44	- -	- -	na	na
Malaysia	KLSE Comp.	575.89	548.06	536.95	1271.57 26/2	526.12 28/11	3.37	9.3
Traders attributed the sharp gains - including Telecoms 11.1 per cent bounce - to aggressive buying by local funds.								
Mexico	IPC	5175.15	5127.91	5126.67	5369.48 21/10	3368.46 2/1	1.19	14.8
‡Shares opened sharply higher, pulled up by strength in Brazilian and US equities.								
Morocco	CASA	663.63	665.03	669.39	688.75 23/4	481.98 3/1	na	na
Shares ended flat in thin volumes. Dairy operator Central Laitière rose after after upgrade from local broker, CR.								
Netherlands	CBS TtlRtnGen	1073.4	1068.3	1073.2	1184.60 7/8	730.80 2/1	2.14	21.3
	CBS All Shr	615.3	612.4	615.2	684.40 7/8	428.00 2/1		
Financials led the market higher. Dealers said that leaders ABN Amro and ING were catching up after lagging the market.								
New Zealand	Cap. 40	2392.28	2391.94	2338.75	2635.48 22/10	2162.81 28/10	3.87	20.2
Carter Holt slipped after reports its building units would be sold to an MBO rather than floated on the stock exchange.								
Nigeria	SE All-Share	6382.69	6383.23	6389.26	- -	- -	na	na
Investors continued to shun Nigerian Tobacco, which has been reeling from competition from cheap imports.								
Norway	Oslo SE Ind	2083.47	2058.02	2072.29	2287.56 22/10	1698.03 2/1	1.98	14.2
Shares gained 1.2 per cent, buoyed by gains in neighbouring markets.								
Pakistan	Karachi SE	1800.12	1828.73	1789.22	2067.98 22/10	1341.31 7/1	na	na
Fears the recent political turmoil could threaten the 3-year IMF loan programme and slow the economy weighed on prices.								
Peru	Lima Gen	1814.13	1791.98	1786.58	2269.40 10/7	1428.70 2/1	na	na
Philippines	Manila Comp	1806.91	1799.49	1779.25	3447.98 3/2	1740.18 28/10	1.4	10.9
Follow-through buying of battered property stocks and second-liners lifted the market for the 5th straight day.								
Poland	WIG	14997.2	14893.3	14872.2	18338.40 18/2	14223.76 25/11	1.73	10.8
Shares rose for the fifth session running, helped by rises in neighbouring bourses.								
Portugal	BVL 30	3682.36	3664.33	3659.03	3990.81 3/10	2166.67 2/1	1.65	26.5
	PSI 20	8574.56	8520.82	8509.01	8803.52 3/10	5192.34 2/1		
Profit taking seen in some blue chips after strong gains this week. Mobile phone operator Telcel hit an all-time high.								
Russia	RTS	361.79	340.22	330.38	571.66 6/10	213.38 6/1	na	na
Shares gained more than 6 per cent for the second session running on hopes of falling interest rates.								
Singapore	SES All-S'pore	442.09	439.01	448.12	593.03 17/2	380.78 28/10	2.08	14.7
	Straits Times	1700.23	1696.29	1697.26	2271.86 20/1	1497.03 28/10		
Against the market, electronics sector fell 4.1 per cent after falls in the United States.								
Slovakia	SAX	170.09	170.99	169.14	208.84 21/3	164.84 23/7	na	na
A 1.8 per cent fall in pharmaceutical stock Slovakofarma dragged the index lower although only five shares changed hands.								
South Africa	JSE Gold	690.8♥	701.8	715.0	1688.10 27/2	690.80 4/12	3.11	12.0
	JSE Indl.	7628.5♥	7696.0	7741.5	9314.20 7/8	7433.30 28/10		
Ongoing gold price weakness weighed on the index, which was also hit by news of falling car sales.								
South Korea	KoreaCmpEx**	405.81	379.31	376.87	792.29 17/6	376.87 2/12	3.31	9.8
Sharply higher amid excitement over the IMF-led bail-out and the drastic opening of South Korea's capital markets.								
Spain	Madrid SE	625.92	618.27	621.70	640.28 1/10	434.54 2/1	2.35	21
Gas Natural was the main feature, correcting after recent losses to finish 3.6 per cent higher.								
Sri Lanka	CSE All Share	676.10	676.90	675.20	899.70 31/7	608.20 2/1	na	na
Shares drifted lower in dull trading with foreign investors largely absent from the market.								
Sweden	AffarsvarldsGen	3081.5	3030.7	3079.2	3316.80 7/8	2378.80 2/1	1.8	21.7
Ericsson rebounded after Wednesday's losses after brokers re-iterated their positive view on the shares.								
Switzerland	SMI Index	5969.5	5922.7	5919.9	6012.60 8/7	3922.90 7/1	1.09	22.8
	SPI General	3741.68	3717.32	3714.92	3770.18 3/10	2506.22 6/1		
Financial stocks ended lower, SBC and UBS both gave up Wednesday's gains as speculation about a merger faded.								
Taiwan	WeightedPr.**	8050.13	7902.51	7679.53	10116.84 26/8	6844.76 6/1	1.04	25.1
Sentiment buoyed by South Korean bail-out and parliaments initial approval for local companies to buy back their shares.								
Thailand	Bangkok SET	388.77	377.38	378.14	858.97 22/1	377.38 3/12	7.47	8.6
South Korean bail-out and rallying baht encouraged investors to buy large capitalisation banking and financial issues.								
Turkey	IMKB Nat 100	3053.0	2996.0	2923.00	3643.80 23/10	995.00 2/1	1.99	18.6
Shares were buoyed by expectations about energy sector privatisations and benign November inflation data.								
Venezuela	IBC	8609.36	8446.67	8598.76	10817.13 17/10	6081.99 12/3	na	02
Zimbabwe	ZSE Industrial	(u)	8384.18	8665.76	12081.95 5/8	8292.82 24/11	na	na
Economic worries prompted a sharp sell-off. The government's land reform plans continued to weigh on the market.								
WORLD	FT/S&P World(S)	(u)	255.86	255.44†	268.47 7/10	218.81 14/4	na	na
	MS Capital MS	947.1*	943.8	945.1	961.80 31/7	794.50 14/4	na	na
CROSS-BORDER	Eurotrack 100	2649.44	2626.52	2628.43	2784.80 7/8	1893.80 2/1	na	na
	FTSE E100	2248.10	2224.20	2232.75	2355.65 7/8	1582.98 2/1	na	na
	HSBC JC Dmn	(u)	263.90	263.39	434.83 6/8	238.55 28/10	na	na
	ING Brngs Emrg	(u)	143.25	141.21	196.81 9/7	130.75 13/11	na	na

** Sat Nov 29: Taiwan Weighted Price (c); Korea Comp Ex 407.86. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ Xetra/DAX after-hours index: Dec 4 - 4159.72 +65.17. † Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. Yields and P/E ratios are based on Datastream Total Market Indices. Midsession.

NASDAQ NATIONAL MARKET

4 pm close December 4

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

4 pm close December 4

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

EASDAQ

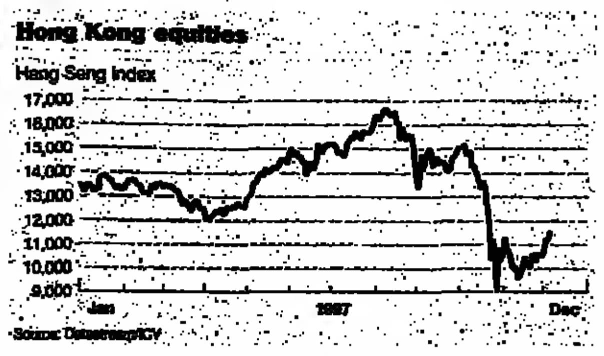
EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members

Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$3		0	8.25	2.375
Algol	ITL13350		10000	13350	12450
Artwork Systems	US$7.625		31363	11.125	7.625
Chemunex	FFr12.5		0	10	10
City Bird Holding	US$7.9375		0	8.25	9.8125
Deborah Holdings	GBP4	-0.05	3000	7.15	2.85
Dr Solomon's *	US$33.5	-0.375	50	38.125	16.875
EDAP TMS *	US$7.1875	-0.0625	0	9.125	6.5
ESAT Telecom *	US$14		0	15.25	13.25
Espace Prod. Int.	FFr90.5	-1.48	6100	117	80.38
Esprit Telecom *	US$8.375	+0.125	4800	12.25	4.875
Gruppo Formula	ITL18900	+200	19500	22600	18550
Innogenetics	US$21.125	+0.5	260674	22.125	9.875
Integr. Surg. Syst.	DEM10.4	-0.1	0	12.1	10.1
Lernout & Hauspie	US$48.625	-0.75	15321	58.625	25
Meters	US$7.9375	-0.0625	88200	9.125	7.1875
Mercer Int'l	US$9.25	-0.125	0	12.875	8.125
NTL	US$28.625		0	28.875	20.5
Option Int'l	US$12		19350	12.125	10.375
PixTech	US$2.5	-0.125	2200	6.125	2.5
Schoeller-Bleckmann	Sch1398	-2	550	1892	900
Topcall Int'l	Sch5335	+122	470	5350	3065
Turbodyne Technol.	US$3.78	-0.07	0	8.25	2.55

Prices for 4/12/97. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel. 32-2 / 227 65 20) and in London (Tel. 44-171 / 489 3980).

Caution urged in spite of Asian rally

WORLD OVERVIEW



World stock markets rallied strongly yesterday, helped by a sharp bounce in Korean equities following confirmation of the biggest ever IMF restructuring package, *writes Simon Davies.*

The Korean KOPSI index advanced 7 per cent, and Hong Kong followed suit, with the Hang Seng index gaining 267.39 points to 11,474.94.

Nonetheless, strategists urged caution over the recovery in Asian emerging markets.

"Three years after the Tequila crisis, the Mexican market has barely crept back to its pre-crisis level in dollar terms," said Vikas Nath, global emerging markets strategist at UBS Securities.

"If Korea was to accept absolutely all the conditions imposed by the IMF, we would expect a lean and mean fighting machine to emerge, but only after two years.

"And there will be big political tests in the short-term. What we have seen in the stock market over the last few days does not look like the beginning of a sustained rally."

However, UBS argues that there is significantly less downside risk to the Hong Kong market, which is now up 27 per cent from the low point it reached on October 28.

A quiet day had been expected in the developed markets, given the announcement today of the US non-farm payroll figures, a key indicator for the strength of the US economy and therefore the direction for bond yields.

However, the US long bond yield dropped below 6 per cent for the first time in nearly two years, reflecting expectations that today's numbers will show that the so-called Goldilocks economy – neither too hot nor too cold – is alive and well.

The rally fed through into Europe, with the FTSE Eurotop 100 index rising 1 per cent.

But Matt Dennis, European strategist at ABN-Amro Hoare Govett, argues: "At current valuations, these markets are still vulnerable to both external or internal shocks, coming from Asia or the run-up to European economic and monetary union."

IMF deal has tonic effect on S Korea

Investors gave a warm reception to South Korea's $57bn IMF rescue package, helping shares to record a 7 per cent rise, *writes Jonathan Ford.*

Blue chip stocks climbed across the board as the market focused on one element of the package, which increased the ceiling on foreign ownership of individual South Korean stocks to 50 per cent this month and 55 per cent next year. The new rules take effect on December 15. The current limit is 26 per cent.

The composite index closed 26.5 higher at 405.81. Trading volume was a record 111.1m shares, compared to a previous record of 88.2m on Wednesday.

Buying interest focused on financials and blue chip industrials seen as likely targets for foreign investors. Seoul Bank rose 110 won to a limit high of 1,560 won. Also limit up were Samsung Electronics, 3,300 won better at 45,200 won and SK Telecom, 29,500 won higher at 402,000 won.

Analysts remained concerned about the possibility of labour unrest as a result of economic cutbacks required by the IMF package. South Korea's unions are famously militant.

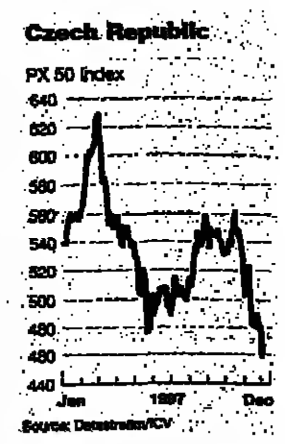
Halla Engineering and Heavy Industry, which last week said it would halve its 6,000-strong workforce, did not benefit from the rally, as unions threatened an "all-out strike". The shares fell 1,500 won to 17,400 won.

Soma thought that the IMF's $57bn package might not lift South Korea completely out of its crisis.

Steve Marvin, head of research at Ssangyong Securities, said he thought the package would have to be increased. "They are on one knee now, but not totally prostrate," he said, referring to the local economy. "A number of conglomerates could fall next year and that is when they are going to be on two knees."

EMERGING MARKET FOCUS

Prague stirred but not shaken



Prague's stock exchange has suffered so many knocks this year that the fall of the Czech government at the weekend (and the prospect of several months of unstable caretaker administration) has had a less than dramatic effect.

"So little stock is held by foreigners now, that there is little selling pressure," said Alexander Angell of Wood & Co brokers in Prague. "If foreign investors have held on to Czech shares, they won't sell them now."

Although reform is likely to be delayed by the fall of the government, some foreign investors ironically see the political crisis as good news when compared with the instability ushered in by the loss of the government's majority last year.

Nigel Rendell, emerging markets strategist at HSBC James Capel in London, said: "There is now the possibility of fresh elections. It's quite refreshing to have the prospect of a clean sheet of paper."

Emerging market funds were already underweight in Czech stocks when the koruna was forced out of its currency band in May.

Slow industrial restructuring led to sluggish export growth, which, combined with runaway domestic consumption, produced a current account deficit close to 8 per cent of GDP last year and triggered the currency depreciation.

Since then the economy has slowed under the impact of two austerity packages and the widespread flooding in July.

Most of the important stocks watched by foreign investors – such as CEZ, the former electricity monopoly, and Komercni Banka – have announced disappointing nine-month results.

The only good news this year has been stock market reforms aimed at greater transparency. More than 1,300 illiquid shares were delisted, fees were imposed on the dominant off-market transactions and, most importantly, parliament agreed to set up a Securities and Exchange Commission to prevent insider dealing.

There is also the prospect of a wave of stocks coming on to the illiquid market from legislation compelling banks and investment funds to cut their industrial shareholdings.

Tomaz Jezek, head of the stock exchange, said: "In the short term, there is a danger of too many shares coming on to the market, but this will attract foreign investment and in the long term it can only be positive."

According to Mr Rendell, the 30 per cent fall in the Czech market this year in dollar terms has made it relatively cheap compared to its neighbours, with a price-earnings ratio of about 8 on 1998 earnings compared to 8.5 in Poland and 12 in Hungary.

However, he believes this sort of discount is justified and that the currency will have to come down even further against the deutschemark before foreign investors return in force.

In any case, he says, investors will keep a low profile until the political situation becomes clearer.

Robert Anderson

Bond gains nudge Dow close to 8,100

AMERICAS

Morning gains in the bond market helped set off a rally on Wall Street as the Dow Jones Industrial Average hovered slightly below the 8,100-point mark, *writes John Labate in New York.*

"There's a broad-based rally being driven by falling bond yields and an easing of earnings concerns," said Doug Cliggott, US equity strategist at J.P. Morgan in New York. By early afternoon the Dow had gained 63.41 or 0.79 per cent to 8,095.42.

The Standard & Poor's 500 index was also stronger, rising 4.03 to 980.80, while the Nasdaq composite index gained 6.39 to 1621.52.

Enthusiasm in both the bond and stock market was intensified by improvements in Asia, as South Korea's IMF loan agreement appeared to promise a more stable future.

Many market analysts focused on the Treasury market as the yield of the 30-year Treasury bond, the benchmark for long-term interest rates, dipped below the 6 per cent level for the first time since January 1996.

Although the long bond's dip was short-lived, it was enough to keep prices in financial stocks rising.

In the banking sector, Citicorp's shares surged 6 per cent or $8¼ to $138 after Merrill Lynch reiterated its "buy" rating for the bank. Chase Manhattan was also stronger, rising $3⅛ to $118⅞.

Elsewhere in the financial sector, Hambrecht & Quist surged $3¾ or more than 8 per cent to $44¾. The company has been the subject of takeover rumours for several weeks.

Many Dow stocks benefited from announcements by the analyst community. Goodyear Tire had gained $2¾ to $66¾ after Morgan Stanley reiterated a "strong buy" rating.

Merck & Co surged $6 or 6 per cent to $104 after Merrill Lynch upped the stock to a "long-term accumulate" rating. Shares in Walt Disney fell $1¾ to $93¾ after the company confirmed that its chief executive had sold 4m shares. Small stocks rose in morning trading as the Russell 2,000 index gained 2.17 at 435.98.

TORONTO edged higher, with the 300 composite index adding 7.45 at 6,688.60 at the noon calculation. Banks lost ground, with important shares moving lower. Royal Bank of Canada slipped 20 cents to C$80 and Toronto-Dominion 15 cents to C$52.75. Bank of Montreal came off 10 cents at C$60.10.

Golds were dull on the back of a weak bullion price. Barrick lost 85 cents at C$22.75 and Placer Dome came off C$1 at C$15.80.

Frankfurt boosted by shake-up at Veba

EUROPE

Corporate restructuring at Veba was one of the factors behind the 2 per cent rise in FRANKFURT yesterday. Assisted as well by benign economic data and a bright Wall Street, the Xetra Dax index advanced 85.17 to 4,159.72.

Veba gained DM8.35 to DM114.95 after the giant conglomerate, whose interests span energy, utilities, and chemicals, said it planned to spin off a minority shareholding in its Stinnes transport division and to merge its Raab Karcher property services unit with its property arm.

Dealers welcomed the announcement as a signal that Germany's bloated utilities sector might be about to start restructuring itself, resulting in spin-offs and business disposals.

"One of the most interesting things in Veba's announcement was that they said they no longer regarded Stinnes as a core business," said Ralf Menzel at BZW.

The news also helped the shares of other utility giants. RWE rose DM3.85 to DM96.70 and Viag was DM37 higher at DM945.

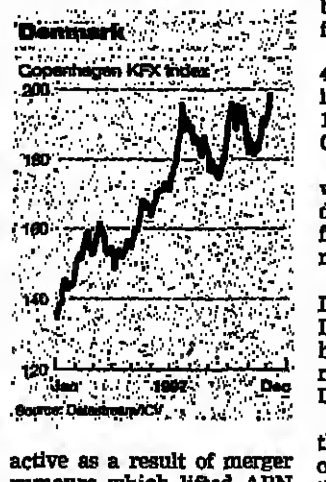
Veba also had a hand in the day's other big riser, chemicals group Degussa, which advanced DM6.50 to DM91.50, on news that Veba was contemplating raising its 36 per cent stake, although it was unclear whether this would involve share purchases or Veba selling its Hüls chemicals division to Degussa.

Further support was provided by a steady dollar and third-quarter GDP figures which were in line with expectations.

AMSTERDAM moved higher, helped by solid gains for a several heavyweights, notably ABN Amro and Unilever. At the end of the session, the AEX index was up 9.26 at 918.73.

Among important stocks Unilever was a strong feature, climbing Fl 2.40 to Fl 120.80 or 2.8 per cent. Steelmaker Hoogovens added 1.4 per cent or Fl 1.30 to Fl 93.80.

ING staged a strong return, rising Fl 3.80 to FL 88.90. Financials were



active as a result of merger rumours which lifted ABN Amro Fl 1.30 or 3.2 per cent to Fl 41.70.

Royal Dutch continued to suffer from weak oil prices, sliding Fl 2.20 to Fl 103.90. The AEX index ended 9.26 higher at 918.73.

PARIS traded narrowly in good volume with the CAC 40 index adding 12.10 to 2,914.45 in 17m shares traded, just about the best volume of the week.

Banks were a strong market with CCF adding FFr15.20 or 4.2 per cent to FFr374 while BNP put on FFr7.20 to FFr300.

Valeo continued to benefit from the upturn in the motor sector with Valeo adding FFr16.80 at 421.50.

Carrefour ran into profit-taking among retailers, shedding FFr150 or 4.7 per cent at 3,040.

ZURICH lost interest in bank takeovers and ended with the SMI index up 46.8 at 5,969.5.

UBS and SBC, which had pushed ahead strongly on alliance hopes on Wednesday, eased SFr23.00 to SFr1,891 and SFr9.00 to SFr431 as talk about a merger between the two banks faded.

COPENHAGEN attained a new all-time high, increased by a strong performance from bank shares.

The KFX index finished 4.26 better at 199.40, breaking the previous record of 195.52 which was set on October 3.

Analysts said bank shares were being helped by a sudden surge in foreign interest, fuelled mainly by hopes of mergers in the sector.

Jyske Bank advanced DKr30 to DKr785 and Den Danske Bank was DKr23 higher at DKr835. Unidanmark climbed DKr15 to DKr493.

MOSCOW rose by more than 6 per cent for the second successive session, with the RTS index ending 21.57 higher at 361.79 on hopes that recent turbulence in the government bond markets might be easing.

Written and edited by Jeffrey Brown, Jonathan Ford and Peter Hall.

São Paulo rallies strongly

Major Latin American centres moved ahead after an upturn for Brazil.

SAO PAULO gained 1.21 or 1.2 per cent to 10,113 on the Bovespa index to reverse most of the previous session's decline.

Volume was low, however, and most brokers said that investors were holding off ahead of today's critical jobs figures from the US.

MEXICO CITY added 43.22 to 5,171.13 on the IPC index in line with the better trend across the region. Dealers said the dramatic upturn in Asia had been overshadowed by the slow start on Wall Street. "Volume was dull and it took a hint of bearishness in the US to depress sentiment," said one broker.

South Africa slips further

Shares in Johannesburg moved lower across the board in dull volume.

The all-share index ended off 34.4 at 6,262.4 following further weakness for industrial shares and golds.

The golds index came off 1.6 per cent at 690.80, a new 12-year low, with the bullion price easing. The industrials index closed down 68.3 at 7,628.5.

Newcomer Prima Toy ended at R1.02, against a flotation price of R1.00.

FTSE Actuaries Share Indices European series

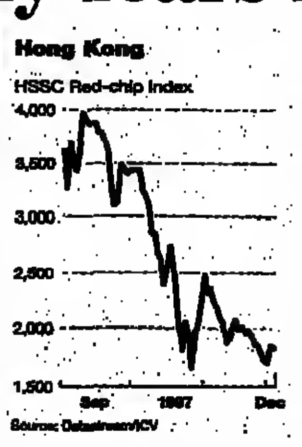
December 4

National & Regional Markets	Ecu index	Day's %	change points	Yield gross %	xd adj	Total retn (Ecu)
FTSE Eurotop 300	974.53	+1.26	+12.13	2.31	0.00	981.26
FTSE Eurotop 100	2248.10	+1.70	+23.90	–	–	–
FTSE Eurotop 300 Regions						
300 UK	996.10	+1.46	+14.20	3.22	0.00	1000.88
300 Ex-UK	968.50	+1.14	+10.00	1.79	0.00	970.80
300 Eurobloc	955.84	+1.21	+11.45	2.09	0.00	958.23
300 Ex-Eurobloc	985.72	+1.29	+12.63	2.53	0.00	997.94
FTSE Eurotop 300 Economic Groups						
Resources	917.86	−0.23	−2.07	2.99	0.00	930.65
General Industries	937.25	+1.83	+16.85	2.10	0.00	939.46
Consumer Goods	966.68	+1.24	+11.67	1.89	0.00	976.84
Services	995.74	+0.73	+7.21	2.24	0.00	1002.55
Utilities	1015.74	+1.01	+10.17	2.95	0.00	1023.40
Financials	1004.34	+1.73	+17.04	2.30	0.00	1009.41

Base value 1000. More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1997. All rights reserved.

Economy fears hit Tokyo again

ASIA PACIFIC



TOKYO shares fell yesterday for the third consecutive day amid renewed concerns about the state of the economy and its financial groups.

The Nikkei 225 slipped 278.72 points or 1.7 per cent to close at 16,306.78, having moved above the psychologically important 17,000 level on Monday.

The drop was partly due to the release of third-quarter gross domestic product data on Wednesday, which showed that the economy did not rebound as much as expected in this period.

This followed the sharp fall in activity over the summer, following the rise in consumption tax in April.

However, news that Moody's credit rating agency was considering downgrading the debt of three regional banks also dampened the market, particularly since investors continue to fear that more banks and brokers could fail following the collapse of three large groups last month.

Turnover fell to 391m transactions from 457m on Wednesday. Winners outnumbered losers 985 to 162 while 117 issues were unchanged. Daiwa Securities was the most heavily traded share on the first section, falling Y32 to Y410 on turnover of 18.73m shares.

The three banks threatened with a downgrade by Moody's also fell: Ashikaga dropped Y58 to end at Y206, Hokuriku Y49 to Y165 and Kiyo Y32 to Y235.

The Nikkei 300 index fell 4.11 or 1.7 per cent to 244.53. The Topix index, which includes many banks, fell 1.79 per cent to 1,238.74. Meanwhile, the second section index dropped 1.42 per cent to 1,277.9, and the over-the-counter index 1.01 per cent to 763.41. In London, the ISE/Nikkei 50 index declined 1.30 to 1,487.10.

BANGKOK closed 3 per cent higher with the SET index up 11.39 at 388.77. The baht had a better day in the foreign exchanges but equity market turnover remained relatively low at Bt2.6bn.

The banks sector jumped almost 10 per cent. Thai Farmers Bank rose Bt9 to Bt82 in the busiest volume of the session. Phatra Thanakit gained Bt3.25 to Bt23.25. TelecomAsia dipped Bt0.50 to Bt11.

The stock market is closed today for a national holiday.

KUALA LUMPUR gained ground for the third day running. The composite index rose 27.83 to 575.89 for a three-day improvement of more than 10 per cent ahead of today's news conference by the finance ministry.

Brokers said that most of the buying came from local investors with foreign funds keeping a low profile in the face of further weakness for the Malaysian dollar. Telekom rose 90 cents to M$9.00.

JAKARTA rose 12.24 or 3.1 per cent to 401.93 on the composite index. Paper leader Indah Kiat surged more than 13 per cent following strong nine-month results, with the shares adding Rp100 to Rp850. Brokers said there had been good support from state-owned securities companies.

HONG KONG pushed higher in moderate volume with utilities and China stocks providing most of the day's features. The Hang Seng index ended 267.36 or 2.4 per cent ahead at 11,476.94 in turnover of HK$10.1bn.

Hong Kong Telecom continued to attract the buyers following Wednesday's news of a HK$4.8bn mobile phones takeover. The shares rose 80 cents to HK$16.50 for a two-day gain of more than 6 per cent. China Light added HK$1.16 to HK$41.80.

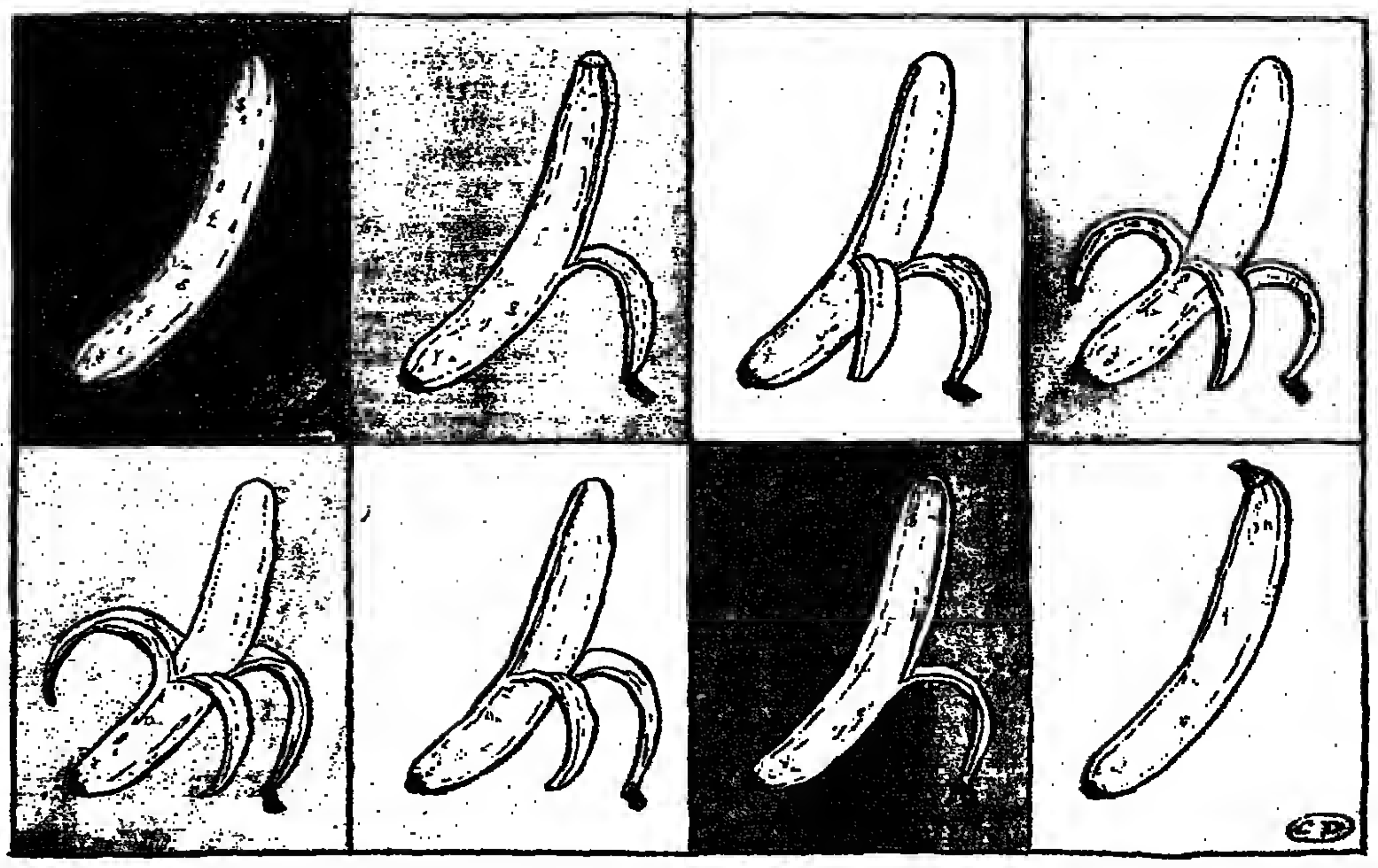
HSBC rose HK$4.50 to HK$204, and China shares were also heavily in demand. The red-chip index climbed 4.3 per cent while the H shares index gained 3.9 per cent.

BOMBAY moved lower on political uncertainty following the dissolution of parliament. The main 30-share index ended 37.37 or 1.1 per cent lower at 3,525.

REPO AND STRIPS

The UK is now offering bonds that can be stripped and reconstituted. **Samer Iskandar** reports

New sparkle added to gilts market



Strips have taken their time to come to the UK market, but analysts and traders believe they have been worth waiting for.

The introduction of strips – the ability to strip standard coupon-bearing bonds from their principal, and trade them separately – is the latest move in a series of modernisations that have been made to the gilt market. It is also arguably the last large-scale reform before the conversion of all UK debt to the single European currency if and when sterling joins sometime early in the next millennium.

Bankers say the Bank of England has thoroughly prepared the market for strips in the 30 months since it first announced that thay would be introduced. The pool of strippable honda, about half the size of the US market, will be the world's third largest, just hehind France.

In the longer end of the yield curve, where demand is traditionally strongest, the strippable gilt of 2021 is the second largest bond issue in the world, with almost £20bn of paper outstanding. This should, bankers say, guarantee ample liquidity.

Liquidity should also he favoured hy the simplicity of the stripping process.

"UK gilts will be the easiest and cheapest to strip and reconstitute," says Julian Wiseman, vice-president at J.P. Morgan's fixed income research in in London. "It costs just over £1, and the whole process is done in a matter of minutes at the touch of a hutton."

Market conditions are also favourahle: the UK has Europe's biggest pension fund industry and pension funds are traditionally the keenest huyers of strips.

"The UK pensions business is very large relative to the size of national debt," says Mr Wiseman.

The rules of taxation covering gilt strips also encourage trading. They are totally tax-exempt for foreign investors. For UK residents, they are "tax neutral" – trading gains and profits from natural price appreciation are taxed at the same rate, with a nine-month delay. This is not the case in some other markets, where differences between capital gains tax and income tax encouraga boarding to the detriment of trading.

In the more matura US market, activity in Treasury strips started picking up earlier this year after a two-year lull.

Josh Braverman, director of US government strips trading at Deutsche Morgan Grenfell in New York, attributes this to the so-called "new paradigm" – the theory arguing thet the industrialised economies have settled into a long-term period of high growth combined with low inflation.

"People are more willing to accept interest rate risk when inflationary expectations are low," he says. "Like in any bull market, call options are in demand." Strips share some characteristics with options, such as leverage and low entry cost.

In Germany, liquidity has yet to pick up in the strips market. The announcement allowing stripping of government bonds – bunds – was made in July, following heavy lohbying hy the banks, and seemingly only in response to criticism that the authorities were slow to modernise.

The expected introduction of the single European currency in just over a year was also a catalyst, as it threatened to draw liquidity away from the bund market into French *Obligations Assimilables du Trésor* (Oats).

Conversely, Germany has one of the world's most active repo markets. Repos, gilt securities repurchase agreements, have traditionally been the Bundesbank'a main tool for setting monetary policy, unlike the position in the UK and in France where central banks adopted this instrument some time after Germany.

While UK open market repos have been operating for almost two years, the Bank of England started making daily use of gilt repos in its money market operations in March this year. Both open market and the Bank's daily repos have been a qualified success.

After fast growth, the amount of outstanding repos stagnated for a while earlier this year and even declined last summer. This is partly explained by the resilience of stock lending. Although the practice is less secure than repos, it remains a tried and trusted method for many institutions.

Another reason for the slowdown is that many institutions bolding gilts have had no pressing need for cash this year, thanks to bullish market conditions.

Some analysts also blame the lack of progress on the rigid stance of market regulators. "We sometimes get the feeling the Bank of England would like to limit repos to the banking community," says one US banker in London. "It's a pity, because there is a pool of potential users that has yet to be tapped." These include companies' treasury departments as well as institutional investors such as pension funds and insurance companies.

With the exception of France, the development of repos in other continental markets has been hindered hy fiscal and legal considerations. With the advent of Emu, the lack of Europe-wide harmonisation has also been an impediment.

Growth in coming months – possibly for some years – is more likely to come from new types of transactions.

Triparty repo, where a custodian manages the transfers of casb and securities between the counterparties, tops the list of new transactions.

Since the first triparty transactions took place in the early 1990s, activity has doubled or tripled every year. In London alone, daily transactions are estimated at an average of between $50bn and $60bn, with signs that the market is still growing at a healthy pace.

"It is now possible to raise funds while using different types of securities, in small pieces, as collateral," says Philip Van Hassel, a vice-president at Euroclear, the international clearing bank. "There is no longer auch a thing as idla cash or idle securities."

Triparty repos reduce the administrative hassle and give both sides of the transaction added flexibility. For example, when tha "lender" decides to sell the securities, it does not have to wait for the repo to be unwound. To allow delivery to the new owner without compromising the repo, the custodian will automatically aubstitute comparable securities as collateral.

As the technique is perfected, new applications are being explored. Euroclear says that after banks and securities houses, corporate treasurers could becoma tha next big participants.

Equity repos are also still relativaly undardeveloped. Although the availability of large blocks of shares makes them an ideal instrument for repo transactions, their use as collateral has consistently lagged behind that of bonds. This is partly explained by the fact that Euroclear and Cedel, which have underpinned the expansion of triparty bond repos, developed as bond clearing houses and hold relatively few equities.

Also, many traders feel that equities are vulnerable to particular problems such as the risk of mergers and takeovers, and that they present specific administrative hassles such as rights issues, stock splits, voting rights and dividend payments. Many also perceive the higher volatility of equities as an added impediment.

Most analysts, however, agree that emerging markets are the most promising new growth area. "Everybody knows that declining yields in the bond markets drew investors to emerging market bonds," says one senior trader in London. "So why shouldn't shrinking margins in the repo market boost emerging market repos?"

The development of repos in emerging markets has been hindered by the absence of adequate domestic clearing and settlements systems. But the higher margins they offer are tempting market participants. These margins were propelled sharply upwards by the recent turmoil in eastern and south-eastern Asia and the ensuing surge in short-selling. Several benchmark deals – notably bonds by Korean borrowers – went on special, offering substantial rewards for investors willing to lend their holdings.

As one trader says: "This could really kick-start the repo market. There is so much money to be made, I cannot imagine that even the most conservative investors would not be tempted."

BOND MARKET REFORMS • by Edward Luce

Single currency poses questions

Investment banks are still unsure about regulations that will govern trading after Emu

Europe's securities repurchase sector is readying itself for dramatic growth after economic and monetary union in 1999. The separation of the repo market along national lines has meant that Europe has lagged the development of the market in the US.

Repo traders, however, believe the stimulation of cross-border flows after the creation of the euro will give Europe the liquidity and depth which has long been taken for granted in the US.

"The European repo market has grown quite dramatically since 1992 but it is still a long way behind the US," said one trader. "Monetary union is just the stimulus it needs to really take off."

Traders say the growth of repo flows in Europe over the past few years has been boosted by a number of factors. First, more investment banks and leveraged finance houses, such as hedge funds, have stepped up their presence in the European markets. The use of repo instruments enables finance houses to improve their leveraging by lending out securities for cash. This enables them in turn to leverage more securities bought with the cash.

Second, Europe's leading central banks have increased their use of repos as their basic tool to manage liquidity in the economy and to set interest rates. The Bank of England joined the bandwagon in March when it scrapped the practice of purchasing treasury bills and other commercial notes through discount houses in favour of a limited form of repo management. The decision by the European Monetary Institute to choose the Bundesbank repo-management system for the future European Central Bank has boosted this trend.

Third, investment banks and leveraged funds based mostly in London have increasingly resorted to the use of repos as a way of arbitraging the market and improving their liquidity. This has spanned all types of securities including – most recently – the repoing of emerging market bonds during the global market crisis in late October. By shorting some of the worst affected bonds at the right moment, nimbler players were able to make money out of the collapse in bond prices. This they were able to do through borrowing the securities in the repo market.

Few, however, believe that Europe will reach in the near future the levels of sophistication seen in the US. In the US a diverse range of securities including mortgage bonds, high-yield debt, yankee bonds and corporate bonds are commonly used in repo transactions. In addition, US investors have the benefit of a highly-developed strips market.

Conversely, both the UK and Germany are only now starting to offer investors the facility to trade and own stripped – or zero-coupon – government bonds. Fearful that it would be seen as less developed than the French market after Emu, the Bundesbank in July announced the introduction of strip trading on German government bonds. This, it hoped, would boost liquidity in the German government bond market and would thus improve its chances of becoming the benchmark issuer in euro-denominated government bonds after 1999. In addition, Germany has attempted to win market share in foreign currency repo trading by exempting local banks from the minimum reserve requirement in repos with a maturity of less than one year.

Traders say the introduction of the strips facility on December 8 will strengthen the sterling market's attraction as a "safe haven" outside Emu by making the market more liquid.

Kevin Adams, gilts analyst at Barclays Capital, says the introduction of a gilt strips market will boost turnover in the gilt repo market which has lagged its French and German counterparts since it was created two years ago. "Fund managers are waiting until strips are up and running as well, so they can go through everything at once. I suspect that the gilt repo will flourish when strips are under way, and clients can deal in both of them."

On the broader front, investment banks are still unsure of what regulations will govern repo trading once the euro has come into being. Neither the Emi nor the International Securities Markets Association has published a market standard to replace separate national conventions after 1999. "It is not clear whether different government bonds will be interchangeable as collateral in the repo market once they are all denominated in euros," said Philip Shaw, chief economist at Investec in London. "There needs to be a Europe-wide standard for all to follow."

Neither is it clear, say traders, what type of paper will be accepted in repo operations with the ECB, which has not published a list of private sector paper that would be exchangeable in addition to euro-denominated government bonds. Finally, confusion remains about settlement facilities. "There are as many central depositories as there are countries and probably more," said one trader. "How many are really necessary?"

Many of these questions will be answered over the next 12 months. Meanwhile, traders expect volumes to take off after May 1998 when the exchange rates of the participating currencies will be irrevocably fixed against each other.

GUIDE TO REPOS • by Samer Iskandar

Safer lending of securities

All your questions answered about sale and repurchase agreements

What is a repo and how does it work?
Repo is an acronym for "sale and repurchase" agreement. It is a safer substitute for securities lending in markets where the repo procedure is well established.

In a repo transaction, the holder of a security sells it to a counterparty and simultaneously agrees to buy it back at a pre-determined date. The counterparty deposits an amount equivalent to the full price of the securities with the original owner. This collateral is transferred again to the "borrower" when the securities are returned to their initial owner.

What is the purpose of selling the security if the owner eventually buys it back?
Repos are a cheap way of raising money. Because the securities act as collateral, the rate at which money is borrowed is usually lower than, for example, the rates banks charge on unsecured loans.

Fund managers also use repos to increase their performance. By repoing out their securities, they can earn revenues equivalent to several percentage points of the value of their portfolio. When a security is in demand on the repo market – becomes "special" in market jargon – borrowers are willing to pay a premium to obtain it. Several series of Japanese government bonds recently went "on special". They were so much in demand that the repo rate became negative. This meant that an owner willing to enter a repo agreement not only received an interest-free cash collateral – on which it could earn interest – it was also able to buy the bonds back at a lower price.

Does this mean repos are a risk-free way of making money?
Not exactly. There are two risks – market risk and counterparty risk. Market risk arises because when the securities are repoed out, the owner cannot sell them. In a falling market, this is particularly frustrating when the "lender" knows it is committed to buying them back at above-market prices.

Counterparty risk is the possibility that the counterparty might not be able to return the bonds at the end of the transaction. This is not as dramatic as it sounds, because when this happens the lender keeps the cash collateral.

But what if the bonds have risen and there is not enough cash to cover the whole amount?
This rarely happens, because in most markets repos are "marked-to-market". This means that the price of the securities is calculated every day. If it rises, the counterparty has to increase the cash collateral by an equal amount.

The main costs of a default are the administrative hassle and the transaction costs of buying the securities from the market. There is also a risk that prices might move during the time it takes to buy the securities on the market, but this exposure is generally limited to a few hours at the most.

If repos increase the overall level of risk in the market, why do regulators tolerate them?
Governments are often the most active users of the repo market. In Germany, for example, repos are the main instrument of the Bundesbank's monetary policy. When it wants to inject cash into the banking system, the Buba enters repo agreements: it takes securities from banks and gives them cash that they can then invest or lend to clients. Conversely, to drain cash from the market, a central bank can execute reverse repos: it takes money from commercial banks and gives them government securities as collateral.

Repos also make markets more efficient, because they allow traders to go short – that is, sell securities that they do not own.

The ability to go short is essential for marketmakers, because they have to make two-way markets – that is, they must be willing to buy securities they might not want and sell securities they do not have.

A short seller typically expects prices to fall and hopes to buy the securities back at cheaper levels. By acquiring securities through a repo transaction, the short seller can deliver them to the buyer while maintaining his bet that the market will fall.

What happens to coupon payments during a repo?
The legal owner during a repo transaction is the "borrower". So coupons are paid to him if they fall due during this period. However, when this happens a cash amount equal to the coupon is paid to the original owner. This is called a "manufactured payment". Each of the two counterparts then has to sort out its own fiscal position.

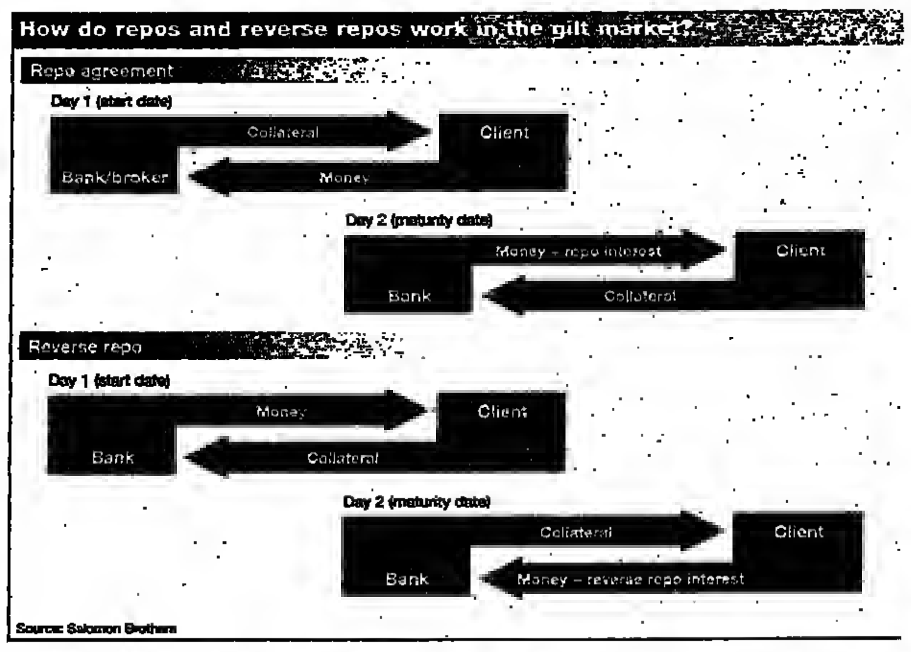
Does this not complicate matters?
It can, but participants in repos can also take advantage of this situation. In most markets, domestic holders of bonds receive dividends on which withholding tax has already been levied, while foreigners are paid gross coupons. In markets where regulation does not take this loophole into account, it is tempting for bondholders to repo out their bonds just before a coupon payment to a tax-exempt counterparty, and receive a manufactured payment. This practice is called coupon washing. It is legal in many markets. In the UK, however, domestic investors are taxed on the hypothetical coupon they would have received if the bonds had not been repoed out.

Example of a repo financing trade

Position of Party A	Transaction flow	Position of Party B
Party A contracts to buy £100m of gilts from Party B	A owes B £100m B owes A gilts	Party B contracts to sell £100m of gilts to party A
Party A contracts to repo the £100m of gilts to Party B to finance its purchase	A owes B gilts B owes A £100m	Party B contracts to buy the gilts from party A
	The two transactions net out, so no actual transfer need be made across the Central gilts office (CGO)	
Party A has locked into a secured financing rate for a term of its choosing, to facilitate its exposure to the cash gilt market		At the termination of the repo financing trade, Party B is to re-sell to Party A gilts bought in the (reverse) repo at the pre-agreed price
	When the second leg of the repo is completed, the transactions can be reversed; there is still no requirement for a transfer across CGO	

Source: Banque de France

How do repos and reverse repos work in the gilt market?



Source: Salomon Brothers

PROFILE Bankers Trust

Wise before the event

The bank resisted the temptation to gear up for the introduction of gilt repo last year

Times are getting tougher for Europe's repo markets as they approach the brave new world of the single currency.

Having ridden the tide of speculative interest surrounding economic convergence in recent years, with its galvanic effect on European government bond markets, the Continent's repo men now find themselves in the doldrums.

Many expect the market to grow rapidly after economic and monetary union in 1999, but at present low interest rates, narrow spreads, and waning activity levels have combined to reinforce the traditional image of the repo as a high volume, low margin commodity product.

It is, claims Matthew Hale, head of global treasury at Bankers Trust in London, time for those banks active in the market to be clever about how they use their resources.

"Spreads have been squeezed out of the repo market and the margins just aren't there any more," he says. "There is a huge community of single-A and double-A banks which are making no significant income from their repo operations."

Mr Hale is happy to admit that Bankers Trust is only a medium-sized participant in the market. The bank set up its London repo operations in 1994, and resisted the temptation to gear up for the introduction of gilt repo last year.

Today, the repo desk comprises just three traders headed by Dane Sparke, a trader who came from Tokai Bank.

Avoiding the expensive hiring spree ahead of gilt repo proved to be a wise move. "It has not been very profitable," Mr Hale says of the market's performance since its launch. "For us, with just two people doing gilt repo, we have at least managed to make a reasonable return."

Paul Hamill: just one of several financing services offered

Others, including some of the UK banks that geared up heavily, have been less fortunate.

Bankers Trust has avoided such grandiose mistakes partly because of its decision to staple the repo desk together with the bank's other securities lending operations in the treasury division.

Paul Hamill, who is responsible for repo sales and marketing at the bank, says this was because Bankers Trust saw repo as just one of a number of financing services it had to offer customers – a different approach from that taken by many investment banks which lumped repos together with their bond market operations.

Being within the treasury division has helped keep the repo desk responsive to customers and less inclined to drift into the dangerous game of chasing market share, claims Mr Hamill. He also believes it has conferred operational benefits.

"If you are arbitraging repos against cash funds or forward rates, it is a lot easier to do that in treasury than on a bond desk."

And by linking repo to other lending functions, Bankers Trust claims to be better able to tailor funding packages for customers that may include other instruments such as swaps, loans and simple stock lending deals.

Mr Hale, who calls this the bank's "one-stop-shop" approach, says that Bankers Trust will sometimes use repos as a customer-winning product in the hope of subsequently gaining more profitable ancillary business elsewhere – a claim that speaks volumes about the market's growing maturity.

But if his general tone could be described as a little downbeat, at least compared to the hyperbole that surrounded repo two years ago, Mr Hale emphasises that he sees an exciting future for the product.

While the gilt repo market has yet to fulfil the hopes of its creators, he thinks that conditions will improve as the market develops.

"One problem gilt repo has faced is that international investors have not shown much interest in the gilt market in recent years," he says. "This should change with the coming of the single currency, when there should be lots of focus on the UK because of convergence."

Another area expected to show significant growth is that of equity repos, still a comparatively undeveloped market and one into which Bankers Trust has been expanding. Mr Hamill says that the bank's customer focus has given it an advantage in building a presence in equity repos.

"Equity repos are very customer-driven, largely because they are still opaque products without any real transparency in the market," he says. "Doing these deals involves daily contact with clients."

Bankers Trust has also been dipping its toes into repos of emerging market bonds – once again taken in this direction by the needs of its customer base.

Partly as a result of its US parentage, the bank has close relationships with a number of hedge funds, natural users of the repo market because they have a constant requirement to fund positions that they hold in securities markets.

As hedge funds have become aggressive investors in emerging markets, Bankers Trust has been forced to address the problem of how to help its clients finance their positions.

Mr Hale says that most of the bank's involvement has been in Latin American Brady bond markets, due to their deep liquidity.

"Emerging market repos clearly present more risk, and you have to be comfortable with the liquidity of the collateral you hold if the markets turn," he says.

However, he remains convinced that this market will develop in coming years. "If you look at what has happened in Asia, you can see it as a major market opportunity because there is a big demand for finance in the region. In a sense, a regional credit crunch plays into the hands of collateralised lenders because unsecured finance simply dries up."

Jonathan Ford

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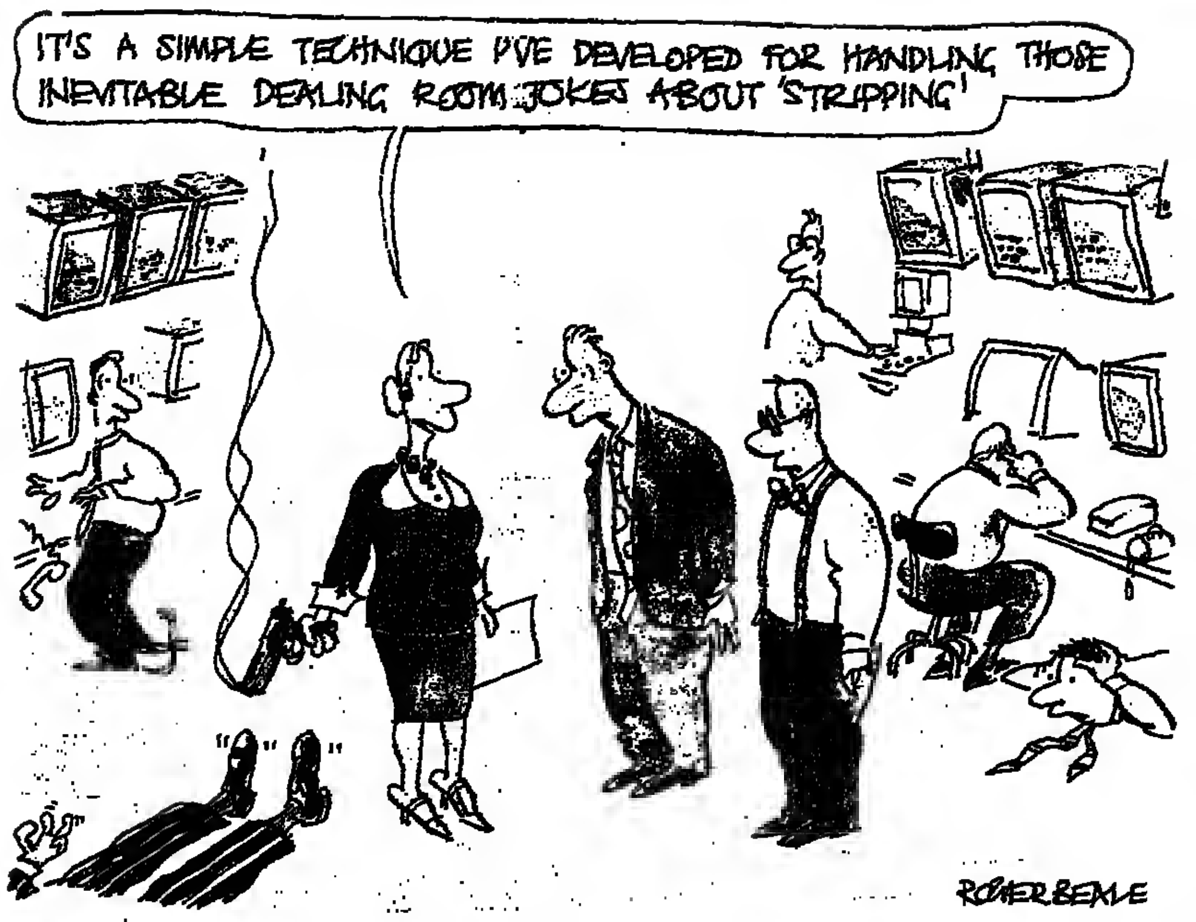


GUIDE TO STRIPS • by Samer Iskandar

Definitions of a new financial instrument

All the answers to separate trading of registered interest and principal

Why are Strips suddenly back in the news and what exactly are they?
The introduction of gilt strips, promised since 1995, is on track. It has been eagerly awaited by traders, fund managers and financial executives of large companies. After several delays, the UK gilt stripping facility will finally be available on Monday, December 8.

Strips – an acronym for separate trading of registered interest and principal of securities – are the different components of a conventional bond separated and traded as distinct securities.

A 10-year gilt, for example, is strippable into 20 half-yearly coupons and one final redemption. The end result is a series of 21 zero-coupon securities, with maturities of six, 12, 18 months, and so on.

What is the point of creating several securities out of a single bond and giving up the revenue stream?
Strips are very useful instruments for participants in the financial markets. Paradoxically, they can offer safety and stability to one type of investor and be highly speculative for others.

Unlike bonds that pay annual – or half-yearly – dividends, the total return on a strip is known at the time of purchase. This is not the case for conventional bonds, because investors never know in advance the interest rate at which they will be able to re-invest coupons. In the US, where strips have been available since 1985, they have become very popular among people planning their own pension or house-owners with an interest-only mortgage and a lump-sum payment in the future. They are also used by investors with long-term liabilities such as pension funds.

If strips are so predictable, how can they be speculative?
The value of a strip is predictable only when the security is held until maturity, when the investor receives the whole notional amount. In the short term, their prices fluctuate more sharply than those of conventional bonds.

Because all the cash flows are concentrated at the end of a strip's life, the effects of changes in interest rates or in inflationary expectations are amplified.

The price of a conventional bond is less affected by changes in expectations or in market conditions. While inflation erodes the value of all future cash-flows (coupons and final redemption), this is partly offset by expectations that interim payments will be re-invested at higher rates of interest.

How does the absence of income affect taxation?
In most countries where strips are available, their tax treatment is favourable for most investors. Capital gains tax, usually at a lower rate than income tax, is payable on the difference between the purchase price and the redemption price. In the UK, however, income tax will be payable annually on the (theoretical) notional profit which the investor would have made if he had sold and repurchased the strip at the end of each tax year.

Will this tax distortion have an impact on the pricing of strips?
In most markets strips usually offer slightly lower yields than the bonds from which they are derived. This reflects the cost of stripping and managing several series of new securities. The disadvantageous tax treatment in the UK could reduce demand for strips, which would result in relatively higher yields than in other markets. But it is unlikely that their yields will be higher than those of conventional gilts. The reason is that just as bonds can be stripped, strips can also be combined to reconstitute a bond. If the sum of the prices of individual strips became much lower than that of a conventional gilt, it would make sense for brokers or banks to buy coupon and principal strips on the market and sell them to investors as the reconstituted gilt.

Conversely, if strips became much more expensive than gilts, there would be an incentive to strip more bonds and sell their individual components.

Are there any alternatives to strips?
Borrowers, including companies and banks, sometimes issue zero-coupon bonds, which are sold to investors at a discount. These are in many ways identical to strips, but they carry credit risk, since their redemption is tied to the financial health of the issuer. In every financial market, the government is the soundest borrower because it has the ability to print money to repay its debts.

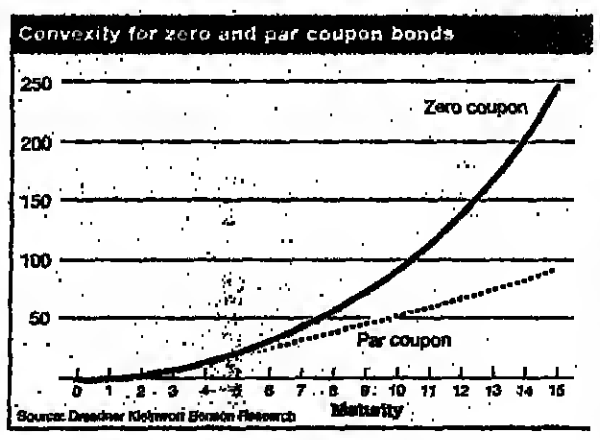
Since governments are also the largest issuers of debt, government bond strips are more liquid than corporate zero-coupon bonds, making it easier – and cheaper – to buy and sell large amounts.

How can gilt strips be liquid if there are several dozen issues of different sizes and maturities?
Not all gilts will be strippable. The Bank of England has designated seven strippable gilts, with maturities ranging from December 2000 to June 2021. The total amount outstanding of these gilts is about £90bn.

All strippable gilts pay coupons every six months on June 7 and December 7. As a result, coupon strips will be interchangeable, regardless of the gilt issue from which they were stripped. Forty-seven different coupon strips will be available initially, with maturities from June 7 1998 to June 7 2021.

Principal strips, however, will be differentiated. Investors will initially have a choice between seven different maturities: December 2000, June 2002, December 2005, December 2006, December 2007, December 2015 and June 2021.

Convexity for zero and par coupon bonds



Source: Dresdner Kleinwort Benson Research

UK STRIP MARKET • by Richard Adams

When zero means returns

The Bank of England's new strips market will become active on Monday

The facility to strip gilts comes with strong support from the City of London's financial community. Pension funds and insurance institutions were especially enthusiastic. The attraction for the City is the availability of zero coupon paper and increased flexibility of cash flow made possible by strippable gilts. The first settlements in the market which started this week will take place on Monday, December 8.

Strips are a rare beast in the jungle of financial instruments, offering at the same time security and volatility. They give certainty of return, by removing reinvestment risk, but are much more sensitive to changes in yield.

The greater leverage appeals to the hedge fund community, while the certainty is attractive to those with long-term obligations.

Seven gilt issues have been declared strippable at the start of October, with a nominal £90bn available, or less than 20 per cent of the total gilt market. That is only about half of the potential strips markets in the US and France. In its document setting out the official strips facility, the Bank of England said it was the intention for all new issues of conventional benchmark gilts to be strippable.

The Bank also suggested older issues may be converted into strippable ones of similar maturity, but warned that "any conversion programme is unlikely to be extensive".

Interest in the early days of the facility will centre on the proportion of issues that are stripped, and by which institutions.

Kevin Adams, gilts strategist at Barclays Capital, says institutions may not rush in immediately. "Everyone is interested, because it's another way of managing a portfolio. But none of us, hand on heart, can say how it will work in practice," Mr Adams said. "Our impression, having discussed it with various institutions, is that it is going to be a gradual process."


Kevin Adams: it will be a gradual process Picture: Brendan Carr

The experience in France with bond stripping shows that the volume can reach between 60 to 70 per cent of a specific issue, and about 40 per cent of total issues with maturities longer than 10 years.

The UK is expected to see about 30 to 35 per cent of eligible issues stripped, along the lines of experience in the US market.

One difference in France is that *Obligations Assimilables du Trésor* (Oat) issues are usually much larger, making a more liquid market. In the UK, smaller benchmark issues could mean a slight danger of an institution cornering an issue. For example, the 7 per cent 2002 Treasury stock has a nominal value of £9bn, which would theoretically cost about £3bn to buy once stripped and the coupons sold.

But the Bank has anticipated the problem by preparing large issues with matching coupon dates: the 8 per cent 2015 stock and the 8 per cent 2021 are the two largest bonds in Europe.

And it reserves the right to reopen an issue via a tap market if a strip was being squeezed, and repo or lend strips if market conditions make it necessary.

The Bank of England expects interest to be towards the long end of the market, for asset liability matching. But David Sutherland, director of fixed interest securities of Scottish Amicable Investment Managers, points out that even if a third of the jumbo 2015 and 2021 issues are stripped, the principals would add up to less than 1 per cent of the current value of gilt holdings of UK pension funds and insurance companies. "In the early days, the strip market will not be large enough to satisfy potential demand, particularly for longer-dated liabilities," Mr Sutherland said.

Market traders are already preparing for demand for long principal strips. HSBC Markets advise taking advantage by moving out of shorter strippable issues and into the long issues. Traders can then strip the long gilts to create the principal and reconstruct the short gilts to get out of the coupon stream.

In the repo market, brokers report that the advent of strips has already seen forward position-taking in the 8 per cent 2015 and 2021 issues.

Other analysts point to the possibility of exchanging gilt strips with strips from other government bond markets, to create a forward foreign exchange transaction.

The physical act of stripping will only be able to be performed by gilt-edged marketmakers (Gemms) and, in theory, the Bank of England. Gemms can request a desired amount to be stripped, provided the stock required is available on the Gemms account at the central gilts office (CGO). Gemms are also able to reconstitute bonds.

All strips will be held on the CGO's new settlement system at the Bank, so that gilts held outside the CGO book-entry system will need to be lodged with the CGO before they can be stripped. Personal investors will still be able to hold strippable gilts in paper.

There are no plans to include gilt strips on the execution-only National Savings Stock Register, because the greater volatility of strips is thought to make professional advice necessary for personal investors.

Legislation holds open the possibility that index-linked gilts could be eligible to be stripped at a later date. The authorities think the pool of "linkers" is too small to be liquid for an efficient strips market to develop, and there are also problems involving fungibility (interchangeability).

Analysts say it will be worth watching the behaviour of US Treasury Inflation Protection securities, which are technically strippable.

Should there prove to be strong demand for holding strips, the logical step would be the issuing of zero-coupon bonds. The Bank says the possibility will be reviewed in the light of experience.

"The high duration of strips means they will initially be regarded as a risky variation on 'plain vanilla' bonds," says Mr Adams of Barclays Capital. "But, in fact, strips themselves are the purest form which a bond can take because there is no [coupon] reinvestment risk. In time, strips will become the foundation on which the rest of the market is based."

UK REPO MARKET • by Richard Adams

Specials spoil the action

Repos have been a success but the market has not yet fulfilled all the high hopes for it

Philip Shaw: no clear commercial advantage for banks to act as counterparties

Two cheers for the gilt repo market.

An open market in gilt securities repurchase agreements has been operating for almost two years, while the Bank of England has made daily use of gilt repos in its money market operations since March this year. Both operations have been a qualified success, according to market participants.

The use of repos has been a useful addition to the range of instruments available in the sterling market. But neither the open market nor the Bank's operations have yet fulfilled some of the higher hopes that were originally held for them.

The open market grew rapidly during 1996. But the latter part of this year has seen the amount of outstanding repos reach a plateau, and then fall back between May and August, from £79bn to £71bn according to the Bank of England's quarterly survey. Using a different measure, Garban Europe – the institutional repo broking arm of Harlow Butler – estimates total gilts outstanding were £100bn at the same time, but still lower than the previous quarter.

The Bank itself says the market was "generally quiet during the summer period", but with an increase in daily turnover to £18bn. Gilt repo is now said to account for about one half of overnight sterling transactions. The Bank says 69 per cent of recent turnover was at the short-end, in overnight or on-call repos.

Given the amount of outstanding gilts, the totals traded in the repo market remained small. Retail institutions, such as pensions, life assurance companies and fund managers, have been reluctant to get involved, so the potential market remains much larger than the actual one. Kevin Adams, gilts analyst at Barclays Capital, said: "There is still an awful lot of people yet to play in the market, and that's slightly disappointing."

In theory, the cheaper sources of funding through repo should attract investors. But there are several reasons behind the reluctance of institutional gilt holders to use repos. The market is new. Involvement in the open market would entail hiring new staff or setting up repo desks, and the legal complexity of new repo contracts. Since many retail institutions see their stock management as a middle office or even back office operation, they may not want to use the facility. "Many fund managers and institutions do not look at their stock from the front desk," said Jonathan Boyd, director of the sterling division of Harlow Butler Ueda.

Some fund managers think it more important to keep their gilts on hand to trade, and do not want to sell a stock only to find out that it has been repoed for a fortnight. And a small but still worryingly frequent failure to deliver gilts at the end of contracts has not helped.

Lending of gilt stocks – a tried and trusted method for many institutions – has not dried up, as some predicted. In the 12 months to August, lending actually rose by 22 per cent in value, compared with the previous year. Given that stock-lending can be less secure than using repos, some participants conclude the repo market is simply not attractive enough. "It may be that stock lending has increased because clients are aware of the possibilities offered by repo, but aren't able to use it," Mr Adams said.

Part of the reason has been the lack of specials – particular gilts in high demand. Dealers bidding for a special will compete by reducing the repo rate on the cash offered in exchange for the security, usually by 5-10 basis points below the prevailing general collateral rate. The most common reason for a special is a stock that is "cheapest to deliver" (CTD) to settle a futures contract. When an issue goes special, the open repo market comes into its own. But few issues have "gone special", compared with the more active German bund market. Paul Cumbers, associate director of Garban Europe, said the lack of specials activity was disappointing. "It discourages bond market professionals from playing," he said.

The repo market should also be popular for cash and carry arbitrage, buying a CTD issue on the cash market while selling a gilt futures contract, and funding the position via repo. But so far, the link between the repo and the futures market continues to be weak, unlike in the US.

Solving the problem is not easy. The Bank has defended its decision not to appoint marketmakers in gilt repo, by saying that there are around 20 institutions providing "what can be seen as akin to market-making functions". But market-making status might give a better shape to the market, by drumming up business.

Another reason is that many institutions holding gilts have had no pressing need for cash this year, because of the overall state of the market. In that case, the repo market, and the cheaper finance available through it, will have to wait until conditions tighten before starting to take off.

The recent slow growth in the open repo market may also have hampered the Bank's operations, which started using gilt repos to provide liquidity to the money market earlier this year. Previously, the Bank had relied upon buying back Treasury and eligible bank bills through discount houses. Repos were introduced and the special status of discount houses – along with gilt-edged marketmakers – was phased out. Instead, the Bank was to rely on counterparties, banks willing to deal regularly with it.

At first, the introduction of the daily repo reduced volatility in overnight interbank lending rates. But more recently, levels of volatility have moved back to where they were before the introduction of repos.

Market observers say the use of the repo has been more successful than the Bank's previous system. The previous reliance on bills left the market vulnerable to institutions such as Netwest and Barclays, which held large chunks of bill issues. Using the repo gave a potentially much wider pool of liquidity for the Bank to call on.

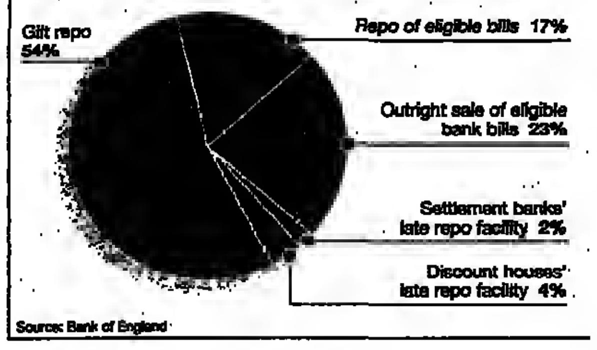
But the change has not seen much increase in the Bank's counterparties. The Bank does not say how many counterparties it has, but observers estimate there are 20 to 25 institutions dealing in repos directly with the Bank, but only around eight which are "active", willing to deal on a daily basis to clear shortages. Some banks thought likely candidates to be active counterparties have chosen not to do so.

Philip Shaw, a money market specialist formerly at Union Discount, and now at Investec, said there is "no clear commercial advantage" for banks to act as counterparties. Others are more critical, especially over the run-down in the size of the Treasury bill market, which has shrunk from £21bn in 1995 to £3bn.

The situation has been complicated by proposals to change the government's cash management procedures, ending its Ways and Means overdraft with the Bank of England. Cash management will be transferred to the new Treasury debt management agency being set up. The Bank will continue to use the money markets to operate monetary policy, but the Treasury will handle exchequer inflows and outflows. The details have yet to be decided, but it seems likely the agency will issue its own bills, and may be a repo counterparty with the Bank.

OMOs - instrument overview

Percentage share: July - September 1997



Source: Bank of England

Loans in the French domestic market

Average daily turnover during fourth quarter 1996, FFrm

	Unsecured loans	Secured collateral retained	Repos: Treasury bonds	Repos: Oats	Repos: Other	Total	Change 1996/1997 %
Same day (< 24 hours)	[illegible]	31,731	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Next day	1,789	706	1,033	907	3	4,438	-45
> 1 day ≤ 8 days	[illegible]	3,454	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
> 8 days ≤ 1 month	1,031	96	3,685	8,447	1,749	15,008	10
> 1 month ≤ 3 months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
> 3 months ≤ 6 months	449	133	253	1,504	238	2,571	7
> 6 months ≤ 1 year	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
> 1 year	116	22	17	2	10	167	-43
Total	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Source: Banque de France

FRANCE • by Grog Smosarski

Emu will boost activity

After spectacular growth the repo market suffered a 20.5 per cent drop in 1996

Liquidity and low counterparty risk have turned repos into one of the most widely used money market instruments in Paris, accounting for about 40 per cent of daily turnover in the interbank market. Indeed, an article in the Banque de France bulletin suggested that the efficiency and the depth of the French repo market would give it a significant role in the euromoney market that would follow economic and monetary union in 1999.

After steady growth since 1988, and a spectacular doubling of volume between September 1994 and December 1995, the French repo market suffered a 20.5 per cent drop during 1996. This was due to a general reduction in the activity of the French money markets. But the repo market suffered a smaller drop than the interbank market as a whole, which saw volume down by some 25 per cent.

Repos in the resident interbank market averaged FFr69.8bn ($12bn) a day in the final quarter of last year, according to Banque de France figures. But if all repo transactions by all market operators were included, the daily total would be more like FFr209.98bn a day.

Repos could not have grown as spectacularly, if they had not responded to real needs. At their simplest they allow bondholders to finance their portfolios by borrowing against them. This facility has been used widely by French banks – especially the medium-sized ones – because higher quality requirements have made access to the interbank market more difficult for them.

But more complex transactions also allow market operators to arbitrage their way up and down the yield curve.

The market has also had the support of the authorities. Since July 1994 a group of 12 marketmakers – known as *spécialistes en pensions sur valeurs du Trésor* (SPVT), and increased to 20 in February 1996 when it was integrated with the *spécialistes en valeurs du Trésor* (SVT) – has been ensuring liquidity. They have been obliged to make fixed interest rate quotes for at least the tom-next (following day), one week, one month, and three-month delivery dates for minimum parcels of FFr500m for the two nearby datas, FFr200m for one month, and FFr100m for three months.

The authorities also changed the law to allow the immediate annulment of a repo transaction if one of the parties failed, and the immediate unwinding of the transaction. This was a significant advance in a legal system where settlement of debts normally has to wait until the court-appointed administration has been able to turn the business around, or it has failed and the court has pronounced liquidation. Unsurprisingly, this has benefited the repo market in a climate of falling bank profitability and tighter risk management.

Additional security is provided by a system of initial margins and subsequent margin calls.

Further aid to the repo market takes the form of fiscal neutrality, which means that transactions are not subject to direct tax. This was written into the law of December 31 1993, but had already been recognised by the finance ministry in December 1990.

At the same time, the Banque de France has started using the repo market for its day-to-day liquidity injections into the money markets. The bank has been signing repurchase orders on French Treasury bonds since July 1990. More recently, from January 1996, it has also been using medium-term bonds, *Bons d Moyen Terme Négociables* (BMTNs), and Treasury bills.

The repo market is also expanding to accommodate *Titres de Créances Négociables* (TCNs, medium-term paper such as CDs), and public sector bonds, as well as bonds denominated in Ecus. Another expected development is the "pension tripartite" (tripartite repo), in which a depositary will be involved with a view to reducing the administrative costs incurred.

Future growth for the French repo market can be expected when the insurance companies start to invest the premiums that they will collect for the funded complementary retirement pension plans for the 14.5m private sector employees. The implementation decrees and directives following the Thomas Act passed on March 25 this year, which extended funded pensions to this category of the population, were only completed this autumn.

The insurers should also be clients for the strips market. Strips were announced in France on May 28 1991, making the French Treasury the first European sovereign borrower to allow this. The first operation – "dismembering" an Obligations Assimilables du Trésor (Oat) 8.50 per cent due 2019 – took place on June 12 of that year. In fact, the French Treasury was seeking to make French public debt attractive to potential buyers of zero coupons.

Strips are now allowed on all Oats, including those denominated in Ecus (since January 1994). As of the end of September this year, the stock of strips amounted to FFr207.19bn, out of a total stock of outstanding Oat and long- and medium-term French franc debt of FFr2,013.54bn (excluding FSRs), plus Ecu747bn of strips out of an ecu total of Ecu22.65bn. As at the end of 1995, the corresponding figures for strips stock were around FFr150bn and Ecu308m.

To maintain liquidity, the SVTs are expected to make markets, and the underlying Oats may be split up and recombined more or less at will. In addition, the coupons of the same due date have been decreed as fungible (interchangeable), even if they originate from Oats with different maturities. To encourage this fungibility, the principal value of coupons is nominally set at FFr5 or Ecu1.25. (Principal is traded on lots of FFr2.000, or Ecu500.)

The strips market has improved the Treasury paper market, commented the Treasury, by giving it an extra dimension. Among the advantages listed was allowing investors to boost the performance of their portfolio by making their bonds more responsive to interest rate movements.

GERMANY • by Graham Bowley

Eyes fixed on a glittering prize

After losing ground to rival countries, Germany is now modernising its market

With European economic and monetary union on the horizon, the German government bond market is being readied for battle.

At stake is the glittering prize of being the benchmark government bond market in the European-wide bond market planned for the next century when Emu is scheduled to be up and running. Last summer the German authorities took two big steps to help it win that prize.

Germany has traditionally been among the most attractive government bond markets in Europe, with the German government paying some of the lowest yields on its official debt among most European countries. However, concerns had recently been raised about the authorities' willingness to modernise, prompting fears that Germany was losing ground to rival countries which were pushing ahead with reforms.

The first step came in July when the authorities made the long-awaited announcement allowing for the first time in Germany the stripping of government bonds. Strips – which are created when a conventional bond is broken down into its coupon payments and principal, which can then be held or traded separately – have long been a feature of other countries' capital markets such as the US and France.

But Germany had until this year held back, showing a reluctance to innovate which deepened concerns about the continued attractiveness of German bonds for investors.

Strips appeal to a wide spectrum of investors, including pension funds, insurance companies as well as private investors. Since they offer income payments at restricted points in time rather than the long stream of payments of conventional bonds, they present a more efficient way for an investor to match income with liabilities. They also remove the reinvestment risk presented by income payments which are a feature of conventional bonds.

The failure of the German authorities to provide these innovative financial instruments raised the possibility that investors might instead turn to alternative bond markets. With fewer buyers of German debt, one consequence of this would have been a potential rise in the interest rate the German government would have had to pay to borrow in the bond market – a state of affairs the German authorities were very keen to avoid.

"A strip market [in Germany] is another step towards a more transparent and efficient debt market. The decision to allow stripping stems also from the impending decision on Emu and the increased competition among European capital markets," according to analysts at Dresdner Kleinwort Benson. "The stripping facility creates new possibilities for investors and traders to exploit the German yield curve."

The second step by the German government also came in July when, to coincide with the opening of the strip market, the finance ministry signalled that the country's debt would be converted into the euro, the planned single currency, at the scheduled start date of economic and monetary union in 1999.

The anthorities' move ended months of epeculation during which doubts had again been raised abont their willingness to embrace change to boost the attractiveness of domestic debt.

Germany's big banks had mounted e vociferous campaign to persuade the government to convert the debt in 1999, when Emu is scheduled to start, but the finance ministry had held back. Germany's banks were worried they would lose business to rival banks in countries which had already decided to redenominate debt into the euro.

But the government had come under enormous pressure from Germany's small savings banks. They complained that the cost of redenominating the debt would be too large. The small savings banks hold bonds on behalf of individual customers and were concerned that redenomination, and the associated recalculation of customers' accounts, would be too costly.

However, the views of the bigger banks prevailed – along with growing concerns that delaying redenomination would allow other countries which had already announced they would go ahead with redenomination in 1999, such as France and the Netherlands, to steal another march on Frankfurt.

The finance ministry said that redenominetion would affect about DM450bn of German federal debt – although the final sum could be much more if the individual state authorities decide to follow suit.

But as well es boosting Germany's hopes that its bonds would be the benchmark in the pan-European capital market, the decision to redenominate was in addition a significant fillip for the planned single European bond market and the single currency itself.

Although countries joining Emu are not required to convert existing debt into the euro until 2001, several countries had already committed to redenomination, in part as an act of confidence in the single currency project. Without Germany – which has the most important bond market in Europe – there continued to be lingering doubts about whether the German anthorities really believed Emu – and the European-wide bond market – would go ahead.

The decisions to allow stripping and the redenomination of debt mean the German bond market is now well-placed to compete for investors if European countries do decide to go ahead with Emu in just over a year's time.

Unlike in the UK, where the repo market – for the sale and repurchase of government bonds – only began life in January last year, Germany has a long-established repo market. It is used extensively by the Bundesbank, the German central bank, to set monetary conditions in Germany by adding or draining money from the financial market. And it is this German interest rate model – in which short-term money market interest rates, guided by repo operations by the central bank, would move within an interest rate corridor bounded by a lower deposit interest rate and an upper lending rate – which is likely to be adopted for the euro.

Comparison of international markets

Country	Bonds strippable	When launched	% stripped < 10 years	% stripped > 10 years
US	[illegible]	Feb 1985	[illegible]	[illegible]
France	Oats	May 1991	9	42
	Ecus	May 1991	3	17
Germany	Bunds	Jul 1997	[illegible]	[illegible]
Spain	–	planned	–	–
Belgium	[illegible]	1994	27	[illegible]
Holland	7.5 15/1/23	1994	–	19
Italy		planned		

Source: HSBC Markets

US • by Jon Macaskill

Fast take-off for trading of strips

The market was boosted when all new Treasuries became eligible for stripping

US experience suggests that trading of gilt strips will quickly gain momentum and have an effect on both gilt prices and repurchase rates. It could also help US-based banks to extend their influence within the City of London, as they use the expertise their dealers have developed in pricing and manipulating the US Treasury strip and repo markets to win gilt market share.

The US Treasury introduced its separate trading of registered interest and principal of securities (Strips) programme in February 1985. Trading of the constituent principal and interest rate payments of individual Treasuries has been developing in popularity with investors since then, and a move in September to make all new Treasuries eligible for stripping has given the market a further boost.

As of October 17, $233.5bn of Treesuries were in stripped form, or just over 25 per cent of the $912.4bn of Treasuries eligible for stripping. Net stripping of Treasuries during October was $862m, but this gives a misleading picture of strip volume – there was around $17.6bn of gross stripping of Treasuries during October and $16.8bn of reconstituting the Treasuries from their stripped form back into complete issues.

Until September, only fixed rate Treasuries with maturities of beyond 10 years had been eligible for stripping. But short dated and inflation-linked notes are now eligible for stripping, and a move to make the coupons on separate inflation-linked issues fungible (interchangeable) is planned within the next few weeks, according to Roger Anderson, deputy assistant secretary of federal financing et the US Treasury. However, there are no plans to allow stripping of deals launched before the September rule change that heve maturities shorter than 10 years.

There are a wide variety of users of Treasury strips. Once a Treasury has been stripped the individual components are known as zero coupon deals, because they do not have explicit periodic interest payments. As they are deeply discounted and have only one future payment date they are popular as investments for retirement accounts, or as gifts to children.

They are also used by professional investors looking to exactly match their assets and liabilities. The greatest flow of strip trading is carried out by dealers looking to exploit perceived arbitrage opportunities in strip value against the underlying Treasury curve. However, they are also a popular instrument with investors looking to place a leveraged bet on price direction.

Warren Buffett's Berkshire Hathaway fund is said to have been a big buyer of Treasury strips during the summer months, for example. As strips are bought at a discount they have greater potential upside than straight Treasury purchases valued near par. The strips which Berkshire Hathaway is said to have been buying (mainly with maturities between 2017 and 2022), have appreciated in value even more sharply than straight issnes during the recent "flight to quality" move out of equities into Treasuries in the US.

There is some debate over the extent to which strip trading affects Treasury prices and repurchase rates. Efficient trading of strips should help iron out anomalies in the shape of the Treasury curve, with the arbitrage on offer from moving in and out of strips e temporary phenomenon. This could certainly have a short-term impact on the price of the gilts that will be eligible for stripping from December 8.

The effect of the introduction of stripping on gilt repurchase rates is harder to extrapolate from the US experience. Many traders think that stripping of Treasuries is one of the factors driving the increasing frequency with which bonds are trading on "special" in the repo market. If strips are bought by investors who intend to hold the deals until maturity then there are fewer Treasuries in the particular issue in circulation. This increases the likelihood that a dealer short of Treasuries will be forced to make cheap loans in return for paper.

And this fall in the repo rate also has the effect of pushing up the apread between interest rate swap levels and the underlying Treasury benchmark, as the availability of cheap funding via the repo market increases the attraction of paying fixed rate on a swap. This in turn can create an arbitrage opportunity to issue fixed rate debt and swap the proceeds to floating rate.

Roger Anderson et the US Treasury downpleys the extent to which strip trading moves US repo rates. "By and large most issues do not get stripped until they are a year or so off-the-run (away from use as e benchmark) and no longer on special in repo," he says.

Not all dealers are convinced, bowever. And the advent of strip trading in the UK might bave the effect of increasing the tendency of gilts to trade tightly in repo. This in turn could play into the hands of the US dealers ective in London who are already adept at engineering Treasury repo squeezes, and exploiting the effect on swap spreads.

It could also become e factor in Bank of England decisions on whether to increase existing gilt issues, or launch new securities. The recent move by the US treasury to re-open the 6.125 per cent coupon August 2007 security, rather than issue a new 10-year bond, was widely interpreted as a move to ease e repo squeeze in the bond. The issue had spent much of the months before the quarterly refunding at the start of November trading on special in the repo market. The Bank of England may soon have to factor similar considerations into its debt management decisions.

Miguel Hennessy (left): the most flexible source of funds (Picture: Maya Kardum)

James Tomkinson (right): cash is the oxygen of the business

TRIPARTY REPO • by Michael Prest

Flexible source of funds

The attraction of triparty repo is that it helps to maximise returns on capital

Triparty repo is one of London's fastest growing but least known financial markets. Since the first deal involving the Europeen Bank for Reconstruction and Development in 1992, the market has expanded to transactions worth between $50bn and $60bn a day. And all the signs are that it will continne to grow.

The market differs from conventionel repos by employing e middleman or agent – the third party – to hold bonds offered as collateral by the borrower to the lender. In Europe, the agent is typically e clearing organisation such as Euroclear or Cedel, or e global custodian snch as the Bank of New York. Euroclear sees e half or more of the City's triparty repo bargains pass through its doors.

On one side of the bargain are cash-hungry broker-dealers which need to finance their operations. "We use cash coming in as the oxygen of the business," said James Tomkinson, director of repo products at Nomura International, the Jepanese investment bank, in London. On the other side are cash-rich houses, characteristically banks, eager to find a home for surplus funds. Some banks, notably the big European banks, may find themselves being cash-takers in one part of their group and cash-providers in another part.

The ettraction for both sides is that triparty repo helps them to maximise their returns on capital. Securities houses eccumulated big inventories of bonds during the 1990s, which can be turned to advantage as collateral. Miguel Hennessy, an executive director of Morgan Stanley, the US investment bank, in London said: "It's the most flexible source of funds for the firm."

Lenders have the same objective. Banks' balance sheets have been rebuilt during the 1990s. Competition has shaved the returns from conventional lending and money market activities. Financing repos has become increasingly enticing. Tim Keenan, global repo product manager for Barclays Capital, the investment banking division of Barcleys Bank, one of Britain's biggest banks, said: "Everybody is wanting to know how to get more juice from the yield."

Using e third party suits both sides as well. One of the main drawbacks with conventional repo is the cost and inconvenience of delivering the security to the lender. Triparty repo eases the problem because the clearing organisations and custodians already hold the stock and it is their business to keep track of customers' portfolios. The borrower simply has to agree with the lender which stocks are acceptable as security and notify the custodian.

Needless to say, it has not always been quite that easy, especially in the market's formative years. Systems were not in place to ensure the necessary speed and accuracy of transactions, and legal wrinkles had to be ironed out. Above all, the leading investment banks, which have largely driven the market's development, had to persuade the lenders that their money was safe.

"That has now broadly been achieved. People are very comfortable with it now. They wouldn't want to go back to bilateral repo," Mr Hennessy said. With perhaps 75 cash providers and most investment banks in the market in London, triparty repo has come of age. The value of daily transactions jumped from about $30bn last year to $50bn this year. Houses such as Nomura and Morgan Stanley are doing around $7bn in triparty business daily.

A sure sign of the market's reletive maturity is that lending spreads have narrowed. Victorie Cole, a vice-president of Morgan Stanley in London, estimated that securities houses which offer good quality dollar and D-Mark collateral can finance themselves at no more than Libor, compared with 6 basis points over Libor a few years ago.

Another indication of the market's maturity, said Mr Keenan, is that it is possible now to fund transactions using hundreds of different bonds as collateral. Borrowers have sought, with some success, to persuade lenders to accept lower-rated paper, and that has allowed borrowers to use nearly all of their inventory. "We're all hunting out borrowers who will accept lower quality paper." Mr Tomkinson said.

The question now is how to keep up the momentum of growth, even if the market is unlikely to expand in the next few years at the same pace as recently. One way is to find new lenders. Investment banks are pinning their hopes on corporations, particularly multinationals with big treasury operations. "We want to attract those corporate pools of liquidity," Mr Hennessy sald. Cedel, one of the main agents, has launched e roadshow and beld dinners to try to persuade companies to participate in the market.

New currencies and countries could also expand the market, which is mainly a doller market at the moment. Some countries, such as Italy, wbich is one of Europe's biggest bond markets, have legal restrictions which hove hindered the use of lira-denominated bonds in triparty transactions. Tax problems have held back the Swiss market. The French bond market remains overwhelmingly domestic.

But many of these obstacles are being overcome, and there is broad expectation in the market thot economic and monetary union and the introduction of a single currency will speed up the process. With luck, triparty repos may even develop from a largely transaction or commodity market where deals last a month or two into an investment market where investors will hold position for a year or more.

Nevertheless, warns Ms Cole, it will not all be plain sailing. "I wouldn't want to reach the stage where we didn't have enough stock to satisfy future demand," she said. All parties agree that plenty of room remains to improve the speed and efficiency of transactions between the borrowers, lenders and the agents. It can take two days to complete transactions in some currencies. The ideal is to conduct business in real time on the same day. Mr Keenan said: "Greater speed and efficiency is where a lot of the future growtb will come from."

JAPAN • by Gwen Robinson

Taxes curb growth prospects

The current financial crisis has slowed the mini-surge in the nascent market

Japan's repo market owes much of its short but extremely ective life to the collapse of Barings bank in 1995 and the resulting pusb for financial reforms.

The debacle et the UK bank exposed the dangers of the preveiling aystem of uncollateralised bond-borrowing and lending, and hastened the Japanese government's plans to develop a domestic repo market.

Much of that market, however, moved offshore along with trade in Japanese government bonds due to a tax on securities transactions – the transfer tax. To evoid this, participants in Japan's repo market lend and borrow JGBs at prices marked to the market every day.

Lately, however, the mini-boom in Japan's nascent repo market has slowed amid growing concern ebout Japan's financial problems, including the collapse of Yamaichi Securities, the fourth-largest broker.

Before April last year, e quesi-repo market existed through *gensaki* transactions. These took the form of securities sales contracts but essentially were credit transactions involving the sale of securities by one party to another for cash. The seller agreed to repurchase the securities from the buyer at a certain time for roughly the same amount as the original price plus interest.

Under strict regulations governing short-term credit, the *gensaki* market was the only Japanese short-term credit market in which ordinary companies could participate directly. But its growth has been slow due to the securities transaction tax levied on domestic and foreign sellers of bonds.

In 1989, the advent of 10-year JGB futures contracts sparked new demand for borrowing bonds. Japan's big life insurers and other institutions fuelled the market for *taishoku* transactions, lending bonds in exchange for fees but no collateral.

When Barings collapsed, however, Japan's financial euthorities were forced to focus on establishing an orderly repo market. It was also regarded as a way of increasing the liquidity and efficiency of the JGB market, notorious among the leading bond markets for its rigidity and inefficiencies.

The repo market now combines elements of the old *gensaki* and *taishoku* markets. Like *gensaki* transactions, the new market involves the exchange of money equivalent to the valne of bonds. But as in the *taishoku* market, there is no sale of bonds and no requirement to pay transfer tax. Unlike the old *taishoku* transactions, the new market imposes no restrictions on the use of cash collateral.

The changes in April fuelled a mini-surge in the repo market, ettracting foreign securities houses as well as domestic banks and brokers. Trading reached about Y26,100bn at the end of September, against an everage monthly Y9,450bn the previous year, making it the second-largest money market behind the call-money market. "Basically the market moved out of the dark ages into modern times," said Mark Dearlove, head of repo at Barclay Capital, Tokyo.

But the recent financial crisis has hit the market hard. Dealers say Japanese regional banks, among the most active bond lenders in the repo market, have pulled back from bond-lending operations and liquidity is drying up.

Signs of increasing nervousness among investors coincided with the Bank of Japan's move to officially launch operations in the repo market. The bank had played an important but indirect role through operations in the JGB market. Officially, it focused on the *gensaki* and discount-bill markets. Traders estimate its *gensaki* operations are about Y3,500bn a month.

But by late November it wes injecting messive amounts of funds into the repo market through bond-borrowing operations. Earlier this year, however, the central bank was eyeing the repo market as e potential tool for controlling money snpply end steerlng short-term interest rates, a view tempered by financial crisis.

The transaction tax will continue to be e drag on growth in the domestic JGB market and will prevent the domestic repo market from becoming e full buy-sellback market. The atrongast growth has been offshore, where leveraged hedge funds use the market to finance long JGB positions and cover short positions.

Another area regarded as e glaring anomaly in Japan's repo market is the "no-fail" rule in JGB trading. There is no written law specifically forbidding fails, but "administrative guidance" – the code term for finance ministry direction – has ensured that failed trades are taboo, carrying penalties ranging from written apologies to authorities to suspension of trading licences.

The no-fail tradition perpetuates the JGB market's rigid structure. Under a system which requires trades to be settled all et once at the end of the day, a failed trade would trigger knock-on effects throughout the settlement system.

The syetem'e arcane nature is further complicated by the practice of "settlement *kabuki*," a device for non-Japanese residents to evoid withholding tax on JGB transactions. Japan is the only leading market to apply such e tax to international investors.

To bypass the tax, most non-resident buyers of JGBs do not become the registered owners of their bonds. They trade JGB name registration forms (NRFs), the modern equivalent of warehouse receipts. These are simple memos to the central bank from the registered holder of the JGB, requesting change of registration of ownership. They are usually delivered to local custodians and held withont effecting the change. The bond remains legally registered to the issuer of the NRF.

Reforms to the JGB settlement system have streamlined the process from the original arbitrary settlement date calendar to e T+7 basis in September 1996 and, since April this year, to e T+3 rolling settlement of three-day cycles. But they had a downside in the light of *kabuki*, increasing the likelihood of fails in trades involving non-Japanese residents in e system which makes no allowances for buman error.

"In any market with implicit no-fail regulations, it is essential for any repo trader to pay particular attention to supply and demand considerations," noted Daiwe Europe in a report. "Where one counterparty has a large proportion of an issue, one is left open to the possibility of short squeeze."

Well before the recent upheavals, repo traders were warning of a repeat of last year's liquidity squeeze when hedge funds were believed to have driven up the price of the two cheapest deliverable bonds against the September 10-year bond futures contract.

The financial euthorities have warned foreign brokers against manipulative trading and imposed a new position-reporting requirement on Tokyo Stock Exchange members to start this month. They will have to report whenever their own or their customers' net open interest in the nearest JGB futures contract or futures options reaches a certain limit.

For the short and medium term, dealers and analysts are generally pessimistic, although many believe consolidation is overdue. In the longer term prospects, they say, are good if the government continues with its Big Bang programme.

FUND MANAGERS • by Jonathan Ford

Slow march holds up development

Corporate treasurers are beginning to use repos to manage surplus liquidity

The leunch of government bond repo markets in the UK and in Japan marked the latest step in the headlong worldwide development of repos as a money market tool over the past decade.

Excluding the US, where it has a longer pedigree, the repo market is only about 10 years old. But such has been its growth in that time that it now represents one of the world's largest financial markets.

"Repos are the key market product of the 1990s in the way that certificates of deposit were in the 1980s," says Matthew Hale, head of treasury at Bankers Trust in London.

International repos have their origin in the activities of US investment banks such as Morgan Stanley and Goldman Sachs, which had long experience of using repos as a financing tool in the US and brought the product to Europe in the 1980s when they expanded there.

Investment banks, with their huge holdings of securities and lack of a deposit base, are ideal candidates for repos because of their need to finance their positions.

"Due to their relatively slender capital bases, investment banks required all their assets to fund themselves," says Mr Hale.

The market was able to develop because large commercial banks – which had little need to finance positions but did have surplus liquidity they wished to put to work in the money market – were attracted to the collateralised nature of the funding that repo borrowers were seeking.

In recent years, tighter capital adequacy requirements for unsecured lending and growing fears about credit quality have, if anything, heightened these attractions.

Margot Lyons, a director of Nikko Europe, says that one of the biggest boosts for the market came when Barings Bank collapsed two and a half years ago.

"Barings scared a lot of people and made the market a great deal more credit-conscious," she says.

From their initial base, international repos have since expanded, sucking in more users as the market grows ever deeper. This process has also made the market more sophisticated as it seeks to accommodate new entrants.

For instance, within the UK's young gilt repo market, banks have already noted growing interest from corporate treasurers, who are slowly beginning to use the product as a way of managing their surplus liquidity.

Even more than banks, corporate treasurera are attracted to repos because of their collateralised nature, which limits credit exposure to counterparties. Within the US, companies have historically been one of the mainstays of the repo market.

However, this market has been slow to develop mainly because most companies, lacking the huge bond inventories of banks, have not the sophisticated settlement systems in place to manage such transactions.

One way the repo industry has attempted to address this is through the creation of triparty repos. These allow counterparties to a transaction to appoint a third party clearing house or custodian bank to handle the administrative tasks involved in repo.

This includes handling all operational tasks, including marking to market, ensuring that collateral meets eligibility criteria and safeguarding the securities in a segregated account.

Other recent developments have included the development of emerging market repos – designed to fulfil the requirements of investment banks and hedge funds that have substantial positions in emerging market bonds.

The market has also seen the emergence of equity repos, which have developed over the past 18 months and are seen by many traders as the brightest hope in the industry.

"There is tremendous potential for growth in equity repos," says Mr Hale.

Alongside the creation of new classes of repo, the market has also seen participants become more sophisticated in their use of existing prodncts, offering further opportunities for growth.

For instance, commercial and investment banks have found other uses for repo than simply as a lending or financing tool, and increasingly use the product as a way of actively managing their portfolios.

For example, repos can be used to arbitrage up and down the yield curve – a technique known as running "matched books".

If a bank believes that interest rates are likely to rise, it can repo bonds for a long period, say a year, to raise cash, which is then onlent over a shorter term.

This locks in the bank's funding rate, protecting it from the expected rate rise, while allowing it to take advantage of higher rates available in the short-term markets.

But in spite of all these successes, there remain blank spots. One of the more notable of these, at least within the UK's gilt repo market, is the continuing reluctance of retail investment institutions – pension funds, life assuranca companies and fund managers – to become involved.

Some observers are perplexed by this. Ms Lyons believes there are obvious reasons for fund managers to join the market. "Repos are an ideal re-investment tool for fund managers, allowing them to extract greater valne from their portfolio by repoing out bonds and re-investing the proceeds in higher-yielding securities," she says.

But fund managers have yet to see the light, and their continuing non-participation is holding back the development of the gilt repo market because they are substantial holders of gilts.

Mr Hale says the lack of enthusiasm shown by fund managers is at least partly due to cultural differences. Unlike banks, they are simply not in the habit of actively managing their portfolios. Furthermore, they do not have the systems in place although this problem could potentially be circumvented by the use of triparty repo.

However, he believes things could change if they had a strong economic incentive to get involved. One hope in the market is that, with the coming of the single currency in 1999, interoational investors will take more interest in the gilts market because of the potential for economic convergence.

"If there was a sufficient economic incentive for institutions to get involved, I think they would do so," he says.


Matthew Hale: repos are the key market product of the 1990s

EMERGING MARKETS • by David Cowan

Cash-rich investors seize opportunities

The main participants in emerging market repo are the domestic banks

Emerging markets repo is a curious juxtaposition of terms, pitting the riskiest of opportunities in nascent markets against the use of what many believe to be the safest of financial tools, namely repo. However, recent problems in emerging markets have had a knock-on effect in repo and fingers have been burned, with one leading inter-dealer broker recently closing down its Mexico City desk due to the turmoil.

Despite these problems, cash-rich investors are taking advantage of the opportunities in emerging markets, as debt issuance from such countries increases. The main participants in emerging market repo are the domestic banks, but there has been a steady inflow of interest from international banks, hedge fund managers, asset managers, securities lenders, corporates, and insurance companies. Activity in emerging market repos is now regarded as a natural function of trading in the cash and debt markets.

Mick Chadwick, managing director and head of the repo desk at UBS in London, comments: "The big guys are still there because a large part of the rationale is to support the other emerging market trading activities within the bank."

As liquidity in emerging market debt increases so does the acceptance of the debt as collateral, but this in turn squeezes margin. A prime example of this is Brady bonds, where investors are unlikely to see spreads more than one or two basis points over Libor. However, there are numerous emerging markets where this process has yet to occur, and investors have opportunities to make healthy profits. The danger is the risk element involved, and with problems recently in the Asian and other emerging markets there have been a few casualities. For those desiring to pursue these opportunities there are some important points to bear in mind. The main issues revolve around risk – instrument, counterparty, operational and legal.

Mr Chadwick explains: "In the medium-term the Asian crisis will be good for the market, just as the peso crisis was a few years back. When margins are wide they attract new entrants and drive margins down. Also the proper due diligence is not undertaken or they don't understand the nature of the collateral, and get burned as a result. After the margin contraction over the past 18 months the turmoil could lead to another shake-ont."

The two primary concerns for traders are the counterparty with which they do bsuiness, and, the collateral they take. In accepting collateral, credit ratings are a useful guide to these markets but often what lies beneath the surface is the proverbial paddling swan, with volatility in the underlying instruments. Counterparty risk entails exposure to the credit risk of the counterparty to a trade, but a good counterparty can go some way to offset concerns in the other risk domains.

Mr Chadwick argues: "The primary risk is counterparty, know your customer, then the collateral. When looking at the collateral a lot of people get hung up on credit ratings, but the key is liquidity, because if something goes wrong with your counterparty you need to know you can sell off the collateral. It's no use having triple-A rated collateral if you can't get rid of it."

Stuart Short, a repo trader at ING Bank, agrees. "Particular players were overanxious in doing business with unsuitable counterparties, and good credit decisions went out of the window. Also, haircuts – the discount on the value of assets, posted as collateral – were reduced to levels where if credit concerns became an issue they inevitably ran into problems. There is a lot of doom and gloom right now, but I think it's unfounded, this a very healthy business to be in if you're doing it right."

Many of these markets neither have the necessary operational infrastructure nor sub-custody capabilities to allow for repo transactions, but it is a truism in repo that safety comes with sophistication. To meet this, hold-in-custody operations have become a common method of meeting the problem, and many see triparty repo as a way forward. The presence of a large cbunk of emerging market collateral in Cedel Bank and Euroclear gives repo traders some comfort, and both clearers are doing well out of the flight to quality collateral resulting from the turmoil.

Finally, some of the legal risk has been taken out of transaction by use of the ISMA/PSA agreement, which is now used in most markets. While businesses have created their own annexes to the agreement covering emerging market activities, there have been moves to standardise what businesses have produced. However, a large issue at stake is that of the legal enforceahility of trades, and ISMA is seeking enforcement opinions in the various markets. Mr Short explains: "It is an issue, though not as important as some seem to think.

"Possession is nine tenths of the law, and if you hold the security at least you can liquidate it and get your cash back. If six months later e judgment comes out of the home country of the counterparty you can fight the legal battle then, but at least you have some guarantee since you've got the cash back.".

One market response to recent volatility has been the use of specials, which are sought-after issues where the holders of securities can earn incremental income by lending them out via repo and other trades. Ulf Bacher, head of the London repo desk at Goldman Sachs observes: "What we have noticed in recent weeks is that a lot of bonds are trading very, very special in emerging markets. This is due to counterparties having to hatch out their market risk by selling liquid benchmark stocks, which they then have to borrow short-term. I expect this to continue as long as there is this kind of volatility in these markets."

EQUITY REPOS • by Michael Prest

Yields outweigh problems

Equity repo in London has a way to go before it can be called a mature market


Roy Zimmerhansl: daily value of business outstanding now $25bn

Equity repos might seem a natural extansion of bond repos. The equity market is huge, broker-dealers run massive inventories, and their ravenous demand for cash should be attractive to lenders. What would make more senee than to post equities as collateral for borrowing to fuel the business? But, in fact, equity repos are fraught with difficulties and the London market is young.

Cristina Cardellini, executive director in the equities division of Goldman Sachs International, the US investment bank, in London, said: "In general, customers have not yet developed the methodology to analyse equity securities taken as collateral in the same way as they have for fixed income securities. Counterparties view equities as being riskier than bonds. In practice, these risks are quantifiable and manageable."

Many traders feel, however, that equities do present particular problems such as dividend payments, rights and bonus issues, mergers and takeovers. Roy Zimmerhansl, director for equity finance in the international markets division of Nomura International, the Japanese investment bank, in London, said that another hurdle is that even the minimum equity collateral package of $50m is likely to consist of five, 10 or even more different equities, whereas it is comparatively easy to find $50m of a single bond.

The market has been further constrained by the lack of a standard equity repo agreement. The Equity Borrowers Committee of the London Investment Banking Association has wrangled for several years over the wording of an agreement, rather to the frustration of some members. As a temporary solution, business is often conducted under an equity annex to the standard fixed-income repo agreement.

But powerful voices, principally the leading investment banks, have been urging equity repos on. As with bonds, equity repos help broker-dealers to extract additional yield from their inventories. The multiplication of hedge funds, whose operations naturally feed off cash, has further increased demand. Big operators such as Nomura are often proprietary dealers and prime brokers for hedge funds.

Lenders have also been enticed into the market as margins have shrunk in other areas of their business. Victoria Cole, a vice-president at Morgan Stanley, the US investment bank, in London, said: "Cash providers are coming to me and asking whether they can get a higher yield if they accept equities as security." Ms Cardellini said: "There are a few brave souls who have made quite a lot because it's at Libor-plus.

Although there had been a small professional market in equity repos for a while, most participants pinpoint the end of 1995 as the start of the London market. By the middle of 1996 the daily value of business outstanding reached $1bn. Mr Zimmerhansl estimates that it has now reached $25bn.

The numbers are imprecise, however, because some confusion persists over what is classified as an equity repo. Some market sources claim that houses are really carrying ont old-fashioned equity loans or swaps and then labelling them as repos. Moreover, Ms Cardellini points out that there are three different types of repo structures: hold-in-custody repo where the equity collateral is delivered to and held in a segregated account at tha broker-dealer's custodian; bilateral or deliver-out repo where equity collateral is delivered to the repo counterparty; and triparty repo where the equity collateral is delivered to the collateral management agent.

This last ought to be most attractive of all, given the lender's fear of risk. Mr Zimmerhansl said: "Why would anyone want to lend unsecured when they can lend secured and get a higher return?" The Chase Manhattan Bank and Bank of New York are carving out positions as agents. But some agents such as Euroclear and Cedel, which have been pivotal in the expansion of the triparty bond repo market, developed as bond clearing houses and hold relatively few equities on their books. Many banks – which are the obvious lenders – do not have systems for handling equities which are as sophisticated as those for handling bonds.

A priority for equity repo pioneers, therefore, is to encourage more banks to enter the market. "Banks have got to become big players," Mr Zimmerhansl said. For the moment, however, equity repo remains a largely relationship market, in which the standing of the broker-dealer and the confidence of the lender in the borrower remain crucial. "It's a relationship market, and is likely to be so for some time," one source at a leading investment bank said.

Nevertheless, the signs are that competition is increasing. Growing liquidity has pushed down lending rates. These rates are not as fine as those commanded by good borrowers in the bond repo market, but they indicate mounting activity and are worthwhile for borrowers. Mr Zimmerhansl estimates that the typical haircut – the discount on the valua of equities posted as collateral – is 5-10 per cent.

In a handful of cases, big cash lenders are trying to circumvent some of the complications of equity repo by going direct to hedge funds and cutting out prime brokers. This, of course, is not what the broker-dealers had in mind when they pushed for an equity repo market. But it could well benefit custodians and other middlemen, to whom banks are likely to turn for security.

Equity repo in London has a way to go before it can fairly be called a mature market. All the main actors – the broker-dealers, the lenders and the custodians – are still experimenting. For many, the essential infrastructure of modern finance, such as systems and the law, are not quite clear enough yet for them to plunge in wholeheartedly.

Bnt few doubt that the market will grow, particularly if equities remain buoyant. "My goal would be for equity collateral to be treated just as fixed income collateral is," Ms Cardellini said.

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RECRUITMENT

Richard Donkin on the above-average pay rises enjoyed by British directors

Some are more equal than others

The base salaries of UK directors rose by 6.3 per cent in 1996, according to boardroom pay data published last week by Monks Partnership, the pay consultancy. Even when bonuses were taken into account, giving an average rise in their total earnings of 8.6 per cent, the figures were hardly sufficient to cause a stir.

This is because the base increases were broadly in line with the previous year and several years before that.

Just as the pay of most employees tends to rise sufficiently to keep in touch with the increase in the cost of living, a pattern has been established that shows the pay of directors rising annually at about double the rate of most of those below management level.

Monks ventured that the higher increases for directors were reflecting a shortage of individuals with the necessary skills to run the growing number of companies with international activities.

Certainly, directors of companies with overseas subsidiaries get paid between 10 and 20 per cent more than those with jobs of similar complexity without overseas involvement.

But this does not explain the overall pattern of directors and senior managers consistently obtaining rises that are on average twice as high as anyone else's. These above-average increases were criticised by John Major when he was prime minister and they have been noted by Gordon Brown, the chancellor, who last week called for moderation in boardroom pay rises.

It could be argued that the strategies of board directors are responsible for the high earnings growth enjoyed by most medium-to-large UK companies in the past two to three years and the directors should therefore reap the rewards of their success. This is reflected in the approval of shareholders. While there has been occasional shareholder dissent against the size of some executive pay increases, none has yet succeeded in overturning a rise.

Many of the institutional shareholders for which companies toil are the pension funds created for the benefit of that majority of employees who get much smaller annual pay rises.

Although these individual pensions contributors cannot influence the policies of public companies, they do possess a claim to ownership of sorts, however indirect it may be.

Many of these employees are being asked by their managements to take on more responsibility for their jobs. It is called empowerment. This empowerment, in many cases, has dispensed with the need for certain levels of supervisor, returning big production savings. Yet it is often the managements, and not those workers who are learning new skills and achieving productivity improvements through team working, that obtain the lion's share of the benefit in higher salaries.

The increasing differentials have not led to industrial unrest or any great outcry from the unions. Most people in work are glad to have a job and most are probably happy with what they earn.

But those who have been enjoying above-average increases owe it to everyone in their business to justify their earnings.

If they cannot do so before their employees, they should ensure they have equitable earnings systems that fairly reward the contributions of all those in the company and not just a favoured few.

Headhunting to fill non-existent posts

The FSS Group, a London-based search and selection group, has introduced a new recruitment system that it calls "gene pooling". The idea is to find and interview, in the normal way of headhunters, a body of executives who fit an ideal profile identified by an employer. The main difference is that the job vacancies do not yet exist.

After their interviews, the executives will stay in their existing posts until they get the call from the employer when a suitable vacancy arises. These executive "sleepers" will theoretically be able to move quickly into place, dispensing with the need for a hurried search.

FSS says the service will be provided only for certain big clients.

It seems an interesting system, but it may be disconcerting for some managements to know that their workplace might be sprinkled with executives who, while paying lip service to their present employer, are harbouring a little secret, thinking fondly of that far-off desk in the competitor's office.

Gene pooling is one more sign of the breakdown of the psychological contract between the employer and the employed.

It begs the question of whether the values of the individual who is being poached to order are those that the employer would want. But if the system has equal appeal to the recruiter and the recruit, their values are probably in perfect alignment.

The system might work best if another headhunter working for a rival employer built up its own pool of executives in the competitor. Then, at e preordained signal, the sleepers in each of the companies could change places, the headhunters could take their fees, and the executives could find interesting challenges, armed, as they would be, with valuable information about the competition.

Tesco uses internet to shop for recruits

Terry Leahy, chief executive of Tesco, the UK supermarket chain, spent an hour last week answering questions from students at 12 British universities put to him over the internet.

This was the first of what the company calls GradChat, designed to increase awareness of career opportunities at Tesco among potential recruits.

Mr Leahy was one of a number of Tesco executives who set aside two hours to exchange written answers to the questions.

The sessions may make only a small contribution towards the annual recruitment needs of the supermarket chain, which this year took on 200 graduates from 5,000 initial applications, but it is one of the latest examples of the way companies are attempting to harness the internet to meet their recruitment needs, particularly among university graduates.

Recruitment services generally are proliferating on the internet and a number of directory organisations are putting their information on to web sites.

One of the most comprehensive UK-based information web sites for graduates is Milkround Online (*www.milkround.co.uk*), which not only carries information on career opportunities but is now, through its register of users, offering employers the opportunity to focus on specific graduate communities.

A danger of using such sites could be the predominance of male users of the internet. That said, the internet seems to have strong potential for recruitment.

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This new role reports into the Director of Pension Funds and has a wide remit, including sensitively and skilfully managing a number of key pension fund client relationships. Working alongside the Investment team and co-ordinating activities with the client support operations, the successful candidate will lead client presentations/reviews and will contribute to new business activities.

This is an outstanding opportunity to join a forward thinking organisation in a visible and influential role. Candidates will:

- Ideally have Investment Markets or Pension Fund experience.
- Demonstrate outstanding communication skills coupled with integrity and sincerity.
- Be able to work independently yet understand the importance of being a team player.
- Enjoy working closely with clients and have experience of making client presentations.

To apply please send a covering letter and CV to Harvey Nash Plc, 13 Bruton Street, London W1X 7AH. (Tel: 0171 333 0033, Fax: 0171 333 0032.) Please quote reference number HNF300FT and include current salary details and daytime telephone number. You may also apply via http://hjps.com/Harvey_Nash

HARVEY NASH FINANCE

ACCOUNTANCY APPOINTMENTS

WORLD RENOWNED CONSUMER/ LUXURY GOODS MANUFACTURER

Our client is a leading worldwide force within its particular sector of the consumer goods industry. It has excellent penetration with a number of the leading luxury brands and a strong position in the competitive commodity sector of its market. It has a first-class reputation for product quality but is equally recognised for its commercial acumen and innovation. The personality and character of the organisation is self-evident through both its products and its people. With a turnover in excess of $2 billion equivalent it is well placed for continued growth. In order to strengthen its operation in the Far East they are looking to recruit a number of key individuals in general management roles, with a focus on finance.

REGIONAL VICE PRESIDENT (FINANCE) - ASIA PACIFIC

c. $200,000

The Position

- Report to the CFO, oversee all financial operations throughout the region including the reporting and analysis of trading performance throughout the region.
- A senior member of the organisation involved in contributing to the strategic growth of the company locally, but also providing guidance and support on day-to-day activities.
- Ensure the development of all non-trading areas, including internal finance and distribution systems, understanding of legal issues and after sales service, as well as internal accounting and administrative staff.
- Establish a sound relationship between the parent company and the various country operations.

The Requirements

- Experience in managing financial operations in a consumer manufacturing environment, ideally with significant exposure to retail distribution, with a successful track record of personal achievement and development.
- A qualified chartered or management accountant with a degree, possibly an MBA.
- Strong financial, business, IT and interpersonal skills with the highest levels of intellect, energy and integrity.
- An international perspective and empathy necessary for working in a multi-cultural environment.

FINANCIAL CONTROLLERS - HONG KONG & SOUTH KOREA

c. $100,000 plus

The Position

- Responsible for all financial and cost accounting across all brands. Control of a range of activities including treasury, MIS and legal, as well as providing office/administrative services for local managers.
- Assist in the preparation of management reports including budgets, forecasts and actuals.
- Provide broader finance and commercial input to the development of the business.
- Ensure compliance with general business and Group accounting principles.

The Requirements

- Graduate ACA with proven commercial experience, a comprehensive understanding of finance and business administration and international exposure.
- Strong, committed and resourceful personality with excellent analytical and organisational skills.
- Self-starter with high energy levels, capable of leading a varied team of different characters and cultural backgrounds.
- Ambitious, with a desire to broaden his/her own skills and experience.

Please send your CV with current salary details to: James Gray, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90351C/04 for the Regional Vice President and 90351AB/04 for the Financial Controllers. Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION
A DIVISION OF KORN/FERRY INTERNATIONAL

mergers

Why not acquire a career?

You spend most of your life doing deals for others. Now you have the opportunity to do one for yourself.

Arthur Andersen is one of the world's leading professional services organisations. It's a fast-moving, demanding environment that allows people to progress on their merits. Our rapidly growing Global Corporate Finance Practice is unique, containing highly professional people working on a cross-border basis, within a global structure, but maintaining a strong local presence in each major international centre.

Arthur Andersen has a reputation for the highest commitment to training and staff development. In fact, we believe the standard of career opportunities we offer is unparalleled. We are looking to hire ambitious corporate finance professionals with experience in corporate mergers and acquisitions. Opportunities exist at all levels, starting from three years' corporate finance experience right up to director level. We are particularly interested in identifying people to work out of the following financial centres:

- Amsterdam
- Bangkok
- Bombay
- Frankfurt
- Hong Kong
- Jakarta
- Johannesburg
- London
- Melbourne
- Milan
- New York
- Paris
- Prague
- Singapore
- Stockholm
- Sydney
- Washington

This is a chance to realise your full potential within a supportive, highly motivated and professional environment. So if you work in corporate finance and want to build a truly fulfilling long term career, you should consider joining our team.

There's never been a better time to change. To apply please send your CV, stating your preferred location(s) and quoting reference 6472, to our response management team at Stafford Long & Partners Limited, 30-32 Whitfield Street, London W1P 6HR. Fax: 0171-304 4433. Or you can apply on-line via JobSurf on: http://www.job-surf.com

ARTHUR ANDERSEN

LEADING-EDGE IT COMPANY

FINANCE DIRECTOR

c. £100,000 + benefits **CITY, LONDON**

This is a truly exceptional opportunity for an ambitious individual to play a key role within this rapidly expanding business. At the forefront of trading technology, this organisation provides IT services to companies engaged in Trading and Risk Management of Financial Products, within Global Capital Markets.

This high-profile role within a dynamic team will require responsibility for financial activities at both strategic and operational level, which will include extensive corporate finance activities such as M&A work, capital restructuring and the preparation for public flotation of this business.

The Position

- Conduct corporate finance activities such as preparation for public flotation, M&A work and capital restructuring.
- Oversee and ensure that day-to-day financial control, accounting systems and procedures are adequate and well monitored.
- Manage extensive project work including the enhancement of a project cost accounting system to measure project profitability and individual performance.
- Develop effective working relationships internally across the business and externally with professional advisors.

The Requirements

- Qualified accountant, ideally ACA with at least five years' proven commercial experience gained within IT, Financial Services or Management Consultancy.
- Commercially astute, with first-class presentational skills, capable of interfacing with senior executives, yet able to motivate staff.
- Innovative and proactive approach with the ability to manage change in a rapidly expanding business.
- Must be confident and robust with the personality to fit into a creative and energised culture.

Please send your CV with current salary details to: Sara Kenderdine-Hair, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 90349A/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

GREENFIELD ROLE IN FRONT OFFICE STRATEGY & SUPPORT

VICE PRESIDENT BUSINESS MANAGEMENT GROUP

Six figure package **CITY**

Our client is a highly respected and profitable global derivatives operation which forms part of a leading international investment banking group. The London office is in the process of embarking on a significant expansion program which will encompass a more diverse product portfolio incorporating equity, commodity and credit derivatives. Since the complexities of the business will increase, a challenging opportunity now exists for a strategically minded business professional to work with senior management and play a pivotal role in defining and implementing a new operating strategy for this expanding group.

The Position

- Act as an agent of change, and be the focal point for the setting and implementation of a new commercial strategy to encompass the new product areas.
- Lead the development of a new 'infrastructure', re-engineering business support and technology to leverage the growing needs of the group.
- Act as a business consultant and conduit between existing front office and overseas processing support group to implement new best practices.
- Initiate and undertake specialist reviews of new products, accounting controls, legal & compliance issues and operational procedures.
- On a broader scale, be a visible, proactive and commercial member of the senior management team.

The Requirements

- Likely to be a graduate Chartered Accountant, with substantial investment banking experience gained ideally within front office support, product control or operations.
- Preferably some exposure to innovative derivative products and an understanding of the related regulatory and control issues.
- Commercial acumen harnessed to a strategic mind-set, focused on service delivery.
- IT literacy with proven ability to analyse & evaluate financial reports and models, and assess business risks.
- First-class presentation skills, high levels of tact and diplomacy with the ability to work in partnership with front office.

Please send your CV with current salary details to: David Burton, K/F Selection, 252 Regent Street, London W1R 6HL, quoting ref: 6070D/04.

Alternatively send by fax on 0171-312 3380 or by e-mail to kfs-london@kornferry.com Internet Home Page: http://www.kfselection.com

K/F SELECTION

A DIVISION OF KORN/FERRY INTERNATIONAL

FINANCIAL CONTROLLER

West End

c. £50,000 Package

"INFORMATION IS POWER"

interactive investor

Interactive Investor International (iii) is the premier provider of financial service marketplaces on the internet in the UK. These marketplaces allow investors and intermediaries to obtain information that is key in enabling investors to make their investment decisions.

Providing a one-stop shop for information on products, prices, performance and news – private investors and financial advisors can now have ready access to vital market data at their fingertips.

iii is now in a strong position to:

- Consolidate its position in the UK;
- Exploit opportunities for international expansion in Asia, South Africa, Europe and Australia;
- Position itself to offer transaction capability in the near future.

A confident, tenacious and highly motivated individual is sought to join the management team and play a key role in the development and growth of the business.

You will assume a full financial control role, key responsibilities include:

- Monthly reporting; budgeting; cash management; financial/statutory accounting;
- Bringing the outsourced accounting function in-house, including specification, selection and installation of accounting systems;
- Implementing financial procedures and controls across the new overseas subsidiaries;
- Developing an understanding of profitability through activity based costing;
- Supporting senior management with relevant financial analysis and business case formulation and providing financial input to the business.

The successful applicant is likely to be a large firm trained ACA possessing an excellent academic background with at least 1-2 years commercial experience outside the profession. Strong IT skills are critical; an interest and understanding of the potential of the internet as a business tool would be advantageous. You will be a confident communicator with the ability, and the desire, to make a contribution from day one.

If you feel that you have the initiative and energy to tackle the above position, please contact Lee Perrycate on 0171 344 5292 (evenings and weekends 0966 372145). Alternatively send your full CV, including details of your current remuneration package, to him at Harrison Willis, Cardinal House, 39/40 Albemarle Street, London W1X 4ND. Fax: 0171 493 6107. E-mail: lee.perrycate@hwgroup.com Internet: http://www.hwgroup.com

HARRISON WILLIS

HW GROUP

HARRISON WILLIS A BRAND OF THE HW GROUP

BIRMINGHAM • BRISTOL • CARDIFF • CROYDON • DUBLIN • GUILDFORD • LEEDS • LONDON • MANCHESTER • MIDDLESEX • NOTTINGHAM • READING • ST ALBANS

INVESTOR IN PEOPLE

Acquisitions & Project Accountant

Acquisitions & Project Accountant

As one of the world's leading automotive component suppliers and a Fortune 500 company, we have been growing, over the last 10 years, at an average annual rate of 25%. With over 40.000 employees and sales in excess of $ 6bn, our strength lies in our position as a fully integrated system partner for the world's major automotive manufacturers. In order to enhance our European position, we are now looking for an additional finance professional to be located in the Frankfurt area.

Responsibilities:

As part of the newly established European M&A and OPERATIONAL SUPPORT TEAM, you will:

- lead and be involved in the due-diligence process for proposed acquisitions
- be responsible for communicating up to senior management and board level
- ensure the successful financial integration of subsidiaries after acquisition
- add value to the M&A process by recommending and implementing improvements
- manage operational projects at our European divisions

Requirements:

- a graduate chartered accountant, Dipl.-Kaufmann or equivalent
- minimum of 5 years' exposure to a sophisticated multinational environment
- experience of US GAAP especially in purchase accounting
- an understanding of M&A issues and, ideally, of the automotive industry
- fluency in English and German or Italian (Eastern European languages advantageous)
- desire to travel

To succeed in such a high-profile role and to feel at ease in our environment, you will need to have a strong commercial awareness and excellent communication skills. Salary will not be a barrier to the right applicant.

For further details, please send your CV to Paul Campbell at our recruitment consultants: Campbell & Partners GmbH, Otilostr. 1, 82166 Muenchen-Graef, Germany Tel: 0049/89/89 80 69-0, Fax: 0049/89/89 80 69-60

Please note that we also have several other financial vacancies at our European headquarters

هكذا من الأصل

Sun microsystems

FINANCE DIRECTOR EMEA

THE NETHERLANDS, SHARED SERVICES CENTRE — **EXCELLENT PACKAGE + BENEFITS**

Our client, Sun Microsystems Inc., with worldwide revenues in excess of US $8 billion, is the global leader in Network Computing. Their Accounting Services Centre (ASC) is based in Amersfoort in the Netherlands, and provides a wide range of high quality and cost effective financial services for all Sun's operating companies in Europe, Middle-East and Africa.

Due to internal career development moves, we are now looking to recruit an experienced and dynamic financial executive to lead the Financial Services organisation for the European timezone. Reporting to the VP Corporate Controller in the US and operating as a key member of the Sun's European senior financial management team, your main responsibilities will be:

- leading a large and geographically dispersed financial organisation
- delivering world class levels of accounting and transaction processing support to European Geographies, business units and Operating companies
- implementing core financial systems throughout the region
- leading the completion of Sun's Europe wide preparation for European Monetary Union
- leading business process re-engineering in the region, including developing and implementing an effective support model for emerging countries/markets
- managing the fiscal compliance and business activities of the Pan European distribution company, and implementing associated European tax strategy

For this most attractive opportunity it is envisaged that the ideal candidate will have a recognised finance or business degree, complemented with a post-graduate qualification (ACA/CPA/MBA) and a minimum of 10 years experience in finance and accounting functions, demonstrating a record of increasing responsibility. Extensive pan-European management experience is a requirement.

Furthermore, the qualified candidate will have outstanding communication skills both internal and external to the company. A strong process orientation, experience in systems implementation and business partnering skills are highly desired. Fluency in both written and spoken English is a must. A working knowledge of Dutch and other European languages is a considerable advantage. The qualified candidate will be geographically flexible and prepared to accept assignments of increased responsibilities outside Europe in the future.

If you are interested in this opportunity, please contact Emilo G.M.M. Houben or Claudia D.S. Lantos on Tel +31 (0)20 6444 655, or alternatively send your Curriculum Vitae to Robert Walters Associates, 'Rivierstaete', Amsteldijk 166, 1079 LH Amsterdam, the Netherlands, Fax: +31 (0)20 6429 005, E-mail: claudia.lantos@robertwalters.com

ROBERT WALTERS ASSOCIATES

http://www.robertwalters.com

LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

TAXATION DIRECTOR

KEY ROLE IN INTERNATIONAL BANK

London, EC4 — **£Six figure package**

Rabobank International

Rabobank is the second largest bank in the Netherlands and one of the 40 largest banks in the world. It is the world's only commercial bank with an AAA rating from all of the major rating agencies. Rabobank International focuses on corporate, investment and private banking in Europe, the Americas and Asia/Australia. Sustained growth across all business areas has resulted in the search for a UK Taxation Director. Key responsibilities will include:–

- *UK and cross-border tax planning and structuring*
- *provision of 'on-line' tax advice to investment banking areas*
- *fronting relationships with external advisers and Revenue authorities*
- *development of a small team of tax professionals in London*

To meet the challenges of this important new role you will be a seasoned tax professional with at least 8 years' relevant international tax experience - gained directly in a bank or alternatively with a leading advisory firm ('Big 6' Chartered Accountancy practice or City law firm). Proven technical skills will enable you to assimilate Rabobank's operations and tax structures at a strategic level – combining this with a detailed focus on specific salient tax issues on a day-to-day basis. You will already be regarded as a very strong communicator, able to explain and promote complex technical issues clearly and concisely to colleagues at all levels.

Please forward a comprehensive CV and covering letter to:
Matthew Phelps at
Brewer Morris,
179 Queen Victoria Street,
London EC4V 4DD.
(quoting ref: 2492mp)
Or fax: 0171 463 0740.

All applications will be treated in strictest confidence

BREWER • MORRIS
TAXATION RECRUITMENT SPECIALISTS

Financial Controller

c.£45,000 + car + relocation

Hi-tech Multinational

South Coast

Our client is a wholly owned subsidiary of a US hi-tech corporation, operating within a highly competitive and dynamic market.

Rapid technological change and innovation is creating many new opportunities within the industry. Success in bringing new products to the market on time is therefore essential to ensure continued growth.

These challenges have now created a need to recruit a Senior Finance professional to manage a small team and support the financial activities of the company. Reporting to the Managing Director, responsibilities will include:

- Managing and developing a finance team
- Designing and implementing system improvements
- Development of management information
- Improving project planning, costing and budgetary control
- Development of management and financial accounting procedures and controls

A qualified accountant is required, probably aged 28-40, with several years experience at middle management level. Previous exposure working within an organisation dealing with high value, long term contracts will be of particular interest. Personal attributes should include good communication skills, leadership qualities, team orientation, strong intellectual ability and a creative approach to problem solving.

Interested candidates should write, quoting reference 48210, enclosing a current CV to Shaun Ascough ACCA, Martin Ward Anderson, 2nd Floor, 1-3 The Avenue, Southampton, Hampshire, SO17 1XG or telephone him on 01703-233977. Alternatively e-mail on info@mwa.co.uk or fax to 01703 236166

MARTIN·WARD·ANDERSON

OPERATION blue sky — FINANCE DIRECTOR

PUT YOUR START-UP EXPERIENCE TO THE ULTIMATE TEST

STANSTED — **EXCELLENT PACKAGE**

OPERATION blue sky is the code name for a new 'no frills' low-fare airline which will start flying within Europe in early 1998. Although owned by British Airways, OPERATION blue sky will operate as a completely independent company that intends to establish itself as a key player within this fast growing and highly competitive market.

The FINANCE DIRECTOR will be a critical member of the small, senior management team that leads this exciting venture.

Your principal accountabilities will embrace the cornerstones of the business and will include:

- Setting up a lean finance and admin function that will provide rigorous financial control and analysis;
- Playing a pivotal role in the critical management decisions spanning the entire business;
- Providing incisive, accurate and timely information in order to support key commercial decisions;
- Managing the provision of purchasing, I.T. and admin services.

You should have start-up experience within a cost sensitive environment.

Airline experience is desirable although, more importantly, a European perspective is essential as is the ability to deliver at both a hands-on and strategic level. You will be a highly motivated self starter, possessing the analytical rigour and commercial acumen to make a significant impact across the business. You will also champion and implement the use of technology.

This is an outstanding opportunity to join a high profile and demanding start-up business that has the backing of a major multinational.

Please send a full CV in confidence to GKRS, 86 Jermyn Street, London SW1Y 6JD (Telephone 0171 468 3800), by the closing date of Monday 15 December quoting reference number 793J on both letter and envelope, & including details of current remuneration.

FINANCIAL CONTROLLER

TV3 Broadcasting Group Ltd

West London - Middlesex — **Competitive Package**

TV3 is the largest satellite broadcaster in Scandinavia, covering 60% of all Scandinavian households. The TV3 group, with its headquarters in Middlesex, has a turnover in excess of £120 million.

The Company is now seeking to strengthen its central finance team with an ambitious and experienced Financial Controller, reporting to the Vice President of Finance and Commercial Affairs.

Responsibilities will include:

- Developing the Company's accounting policies and reporting procedures
- Managing the statutory reporting process including the audit
- Tax calculations and reporting
- Supervising staff in the areas of accounting, accounts payable/receivable, payroll and cash management. Close liaison with Scandinavian based staff will also be required.
- Ongoing enhancements of finance systems.

The ideal candidate will be a commercially minded Accountant, in their early 30's and with at least five years post qualification experience. They will also have gained significant experience of people management within another international organisation, as well as having gained a record of achievement and adaptability.

Interested candidates should send a full CV, including details of current remuneration, to:

Anna Nordberg, TV3 Broadcasting Group Ltd, Horton Road, West Drayton, Middlesex UB7 8JD

TV3 is a business area within Modern Times Group MTG AB. MTG is a broad Nordic media group operating amongst other areas within television, radio, printed media, electronic retailing and thereto related media services. The company is listed on Nasdaq Stock Market in New York.

GROUP TAX MANAGER

INTERNATIONAL UTILITIES INDUSTRY

HUNTINGDON, CAMBRIDGESHIRE — **c.£55,000 + BENEFITS**

- Anglian Water is geographically the largest of the 10 regional water service companies of the UK with a growing international portfolio of utility and construction activity businesses. Profit before tax last year was £257 million on a turnover of £837.1 million.
- The business is focused on continued improvement to customer service, product quality and environmental performance whilst continuing to improve both operating and capital investment efficiency. Anglian Water sees the international market as a natural target for growth.
- The Group Tax Manager will head a team developing strategies to optimise group tax exposures and ensure tax compliance in the UK and internationally. The role is key to developing tax awareness throughout the business and will have a real impact on all financial decision making.
- A qualified accountant or taxation specialist with strong post qualified experience preferably in commerce or the profession/Revenue. Wide ranging tax planning and compliance expertise with a record of delivering solutions in a commercial environment.
- First class presentation and communication skills, able to work closely and flexibly with a multi-disciplined, customer focused team. Energy, initiative and enthusiasm to integrate tax planning and management throughout the business.
- This is an excellent opportunity for a tax professional to develop technical and management skills internationally as part of a highly profitable and ambitious business. The company has a competitive relocation scheme.

Please apply in writing quoting reference 1552
with full career and salary details to:
Keith McCambridge
Whitehead Selection
11 Hill Street, London W1X 8BB
Tel: 0171 290 2045
www.whiteheadselection.co.uk

Whitehead SELECTION
A division of Whitehead Mann Ltd, a Whitehead Mann Group PLC company

FINANCE DIRECTOR - POTENTIAL

WEST MIDLANDS - TO £50K + CAR

Our client, one of Europe's leading industrial corporations, is expanding its existing operations in the UK. To achieve its ambitious targets, growth will be both organic and by acquisition and a key requirement is to refine and develop its systems of financial control.

A head of function is required to take charge of and develop all aspects of financial accounting. Particular emphasis will need to be placed on financial controls, meeting all fiscal and statutory requirements and debt collection. Cash management will be a vital and ongoing issue, as will development of the people within the team.

To be considered you must potentially be fluent in French, spoken and written (after training if necessary), and be fully qualified, either Chartered or Certified. Thereafter ideal candidates will have around 5 years post qualification experience in blue chip industrials, have a strong commercial orientation, a keen interest in good customer service and proven people management skills.

The jobholder will be expected to progress swiftly to a role of Finance Director, so an ambitious, energetic and persistent personality is essential. Opportunities for growth and development are outstanding within this leading multinational.

To apply, please write with your CV, quoting your current salary and Ref FT485 to:
Ashton Penney Partnership Ltd., Suite 201, Albany House, 324-326 Regent Street, London W1R 5AA.

ASHTON PENNEY

Finance Controller

North West — **£ Excellent Package**

Our client, a privately owned group, has a discrete autonomous business unit operating in a niche market. In an environment that is built around a blue-chip customer focus, the key to the continued success of the business will be the enhancement of customer relationships and a requirement for quality based management information.

Reporting to the Managing Director, you will have overall responsibility for financial control, staff management and IT developments. You will need to have proven manufacturing, preferably textile, based experience with an ability to probe, investigate and manage change. You will be a qualified accountant, probably aged 30-40 possessing the drive, ambition and leadership skills to influence the business at a strategic level as well as the shop floor. In return, the Group will offer an excellent remuneration package combined with long-term growth in this strong, leading clothing supplier.

Interested candidates should apply in writing, enclosing a curriculum vitae to David Gunning ACA or Gareth Davage at Michael Page Finance, Clarendon House, 81 Mosley Street, Manchester M2 3LQ, quoting ref WAY/GBF.

MP

Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

Entrepreneurial?

Middlesex — **£ Substantial Package**

Within the retail/leisure industry this dynamic company is poised to become a leading force in this ever expanding market. Owned by its managers with backing from a leading Financial Institution, it has impressive expansion plans through organic growth and targeted acquisitions. They expect to double in size within the next 12 months.

Its management team combine a wealth of experience and entrepreneurial flair with an enthusiasm and commitment to its continued success.

With this growth comes the need to recruit a No. 2 to the Finance Director to play an integral part in the future of the business.

The role, working alongside the Finance Director, will be liaising closely with operational management and your brief will be to provide support to senior management through clear financial leadership.

Your responsibilities will encompass:

- Liaising with operational management in providing financial advice for commercial decisions.
- Optimisation of cashflow management.
- Development of financial reports so as to achieve a fair and balanced portrayal of business performance and objectives.
- Responsibilities for improving management information systems to facilitate tight business controls.
- Proactive management of the accounting team.

The successful candidate will encompass the following attributes;

- Technically strong qualified accountant who can demonstrate commercial achievement within a robust operating environment.
- Proactive decision maker who has the maturity and credibility to challenge the norm.
- First class interpersonal skills with the ability to develop strong relationships by demonstrating a hands-on approach.
- The desire and drive to fulfill your ultimate ambitions.

The company offers an unrivalled opportunity to become involved in an exciting growth sector. Should you feel that you possess the qualities to meet this challenging opportunity, please telephone Keith Mackenzie on 0181 232 9204 to discuss it further or forward your curriculum vitae to him at Michael Page Finance, Europa House, Church Street, Old Isleworth TW7 6DA or fax on 0181 847 5703.

MP

Michael Page Finance

Specialists in Financial Recruitment

London Bristol Birmingham Edinburgh Glasgow Leatherhead Leeds
Maidenhead Manchester Milton Keynes Nottingham Reading St Albans & Worldwide

GROUP FINANCE DIRECTOR

Outstanding Growth Orientated Opportunity

M4 corridor — **Package to £90,000 + Equity**

Our client is an innovative, venture capital backed network systems integrator, formed by the recent merger of three companies, with a turnover approaching £20 million. Their operations include cabling, network design and management, consultancy, installation and product supply and there are plans to expand this via future strategic acquisitions. An opportunity now exists for a Group Finance Director to continue the current integration process and develop plans for the group's future growth.

THE POSITION

- Work closely with the Group Managing Director to establish and deliver the corporate strategy which includes ongoing M&A activity.
- Provide a significant input to the general management of the organisation, assisting all members of the board and management team on commercial matters.
- Day-to-day management of the finance function including project/job costing, MIS, reporting, forecasts, treasury, tax, audit, etc, plus company secretarial duties and investor relations.

QUALIFICATIONS

- Qualified Accountant, currently the Finance Director or No. 2 in a fast growth, sales driven organisation with experience of establishing/developing systems and procedures and excellent team management skills.
- Strong commercial awareness will be combined with the ability to establish relationships, both internally and externally, at all levels.
- This position will require a flexible style with an innovative yet pragmatic approach and the ambition to succeed in a dynamic organisation.

Interested candidates should write enclosing full career details, current salary and where possible a daytime telephone number to John Anderton at Questor International, 3 Burlington Gardens, London W1X 1LE. Fax 0171 287 5457. E-mail lisa@questorint.com Please quote reference 2347.

QI

QUESTOR INTERNATIONAL

FINANCE DIRECTOR

A Key Strategic Role

Reading — **c £70,000 + Bonus + Bens**

Our client is an entrepreneurial group of service businesses, comprising a high profile and autonomous division within one of the UK's leading quoted companies. With a turnover of c£200 million and employing nearly 4,000 people, the division has diverse operations throughout the UK. There is a requirement to appoint a highly commercial Finance Director to play a full part in its continuing growth and development.

THE POSITION

- As a member of the small executive team, assume responsibility for the financial and commercial management of the division, reporting to the Managing Director.
- Provide ongoing strategic input to the direction of the businesses, promoting change and accelerating business processes and culture improvement.
- Leading a highly focused divisional team, manage the interface between the operations and group finance.

QUALIFICATIONS

- Graduate qualified accountant, aged mid 30's to early 40's, with strong commercial and line management experience, having a track record of strategic input.
- Proactive and energetic style, capable of communicating effectively with all levels of a diverse organisation.
- Enthusiastic and involved promoter of change, with the strength of purpose to assume ownership and act independently.

Interested candidates should write, enclosing full career and current salary details, to the advising consultants, Jon Boyle and Debra Hewitt, at Questor International, 3 Burlington Gardens, London W1X 1LE, please quote reference 2337. Tel 0171 292 8300. Fax 0171 287 5457. E-mail: jon@questorint.com

QI

QUESTOR INTERNATIONAL

DIRECTOR OF FINANCE

The British Screen Finance group (which includes the European Co-production Fund, The Greenlight Fund and The Sales Company) is looking for a motivated qualified accountant with experience of the film industry and/or related media industries. The group invests annually £13 million in 18-20 feature films and £1 million in film development.

Reporting to the Chief Executive and board, the successful applicant will be responsible for:

- the total financial operation of the group
- forecasting, business planning, cash management and IT
- performance reporting, film investment appraisal and statutory accounts
- shareholder, government and industry relations

The individual will head a small finance staff and should be sympathetic to the objectives of the group. This is a senior management position for an individual with considerable post-qualification experience, who should be able to contribute significantly to the development of the group.

Salary c£60,000 + car + benefits

Please apply with a full curriculum vitae to:

Simon Perry
Chief Executive
British Screen Finance Limited
14-17 Wells Mews
London W1P 3FL

DIRECTOR OF FINANCE

ESG

Hamburg

£Competitive Salary

The Company

As a leading international reinsurer of medical, personal accident, life and special risks reinsurance capacity across more than 42 countries worldwide, ESG Re is currently undertaking an ambitious expansion programme and we are looking to recruit a seasoned Director of Finance with proven US GAAP experience, to be based out of our corporate head office in Hamburg, Germany.

The Role

A high profile position reporting to the Chief Financial Officer, you will be responsible for controlling all accounting functions across the group and which will encompass:

- Production of budgets, business plans and ensuring their compliance
- Production of timely and accurate consolidated monthly US GAAP reporting and financial statements
- Preparation of production of monthly external and internal reports (SEC reports)
- Liaison with public accountants and tax authorities
- Timely and accurate accounting with all participants in the reinsurance of our business

The Appointee

A graduate with an recognised accounting qualification or MBA, you should be able to demonstrate a minimum of three years front line US-GAAP accounting experience and SEC reporting (preferably with a listed US company) with a working knowledge of German accounting principles.

As an international organisation, there will be some international travel and whilst not essential, a knowledge of German would be helpful.

To apply please write enclosing your CV and current salary details to our recruitment advisor, Heidi Cohan, Hays Accountancy Personnel, 14 Great Castle Street, London, W1N 7AD. Tel: 0171 436 9964. Fax: 0171 436 8385.

Hays

Hays Accountancy Personnel

WORLDCOM

OUTSTANDING COMMERCIAL OPPORTUNITIES

LONDON — **£30K-50K BASIC SALARIES + BONUS + BENEFITS**

With revenues in excess of $7 billion, (based on Q3 1997 revenue), WorldCom International is one of the world's largest and most dynamic multinational telecoms companies. Formed after the merger of WorldCom, MFS and UUNET, its mission is to be the premier supplier of telecommunications services to businesses worldwide.

Due to rapid expansion, a number of outstanding opportunities have arisen in two newly created finance functions. These are the International Reporting Group and the Capital Group. Both functions require the highest-calibre and most ambitious accountants. They will range in experience from newly qualified accountants to fully qualified accountants with up to five years commercial experience, preferably in the telecommunications sector. Successful candidates will have good business acumen combined with strong MIS and interpersonal skills.

Key responsibilities in the International Reporting Group include:

- monthly management accounting
- managing budgetary and inventory control
- financial analysis
- balance-sheet ratios and cash-flow statements
- ad hoc reporting on the main company costs

Key responsibilities in the Capital Group include:

- development of systems to track and record the capital expenditure
- significant levels of ad hoc project work
- extensive international liaison with senior financial staff
- accurate and timely reporting of financial commitments

These challenging and varied positions represent superb opportunities for highly talented and ambitious accountants to contribute to one of the most successful organisations of its kind. You will be a graduate and a fully qualified accountant, with a proven track record of achievement. Telecommunications experience is a strong advantage but not a prerequisite for these roles.

Remuneration and career opportunities are, as expected for a company with WorldCom's reputation, second to none.

Interested candidates should apply to Alan Lynch enclosing an updated Curriculum Vitae to Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: +44 (0)171 379 3333. Fax: +44 (0)171 915 8714. E-mail: alan.lynch@robertwalters.com

ROBERT WALTERS ASSOCIATES

http://www.robertwalters.com

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A + B = 3

Can you change the way we work?

Outstanding opportunity for an experienced Audit Manager

Price Waterhouse in London or New York — **£Competitive**

Price Waterhouse has an outstanding reputation for professional leadership. Our clients include many of the world's top-tier organisations and demand from us leading -edge solutions to their complex business problems. We are constantly seeking new ways to work with our clients to maximise the effective use of resources and add value to our professional services.

Audit work is core to our business strategy for the new millenium and we have re-engineered our approach to embrace new developments both in technology and in the way we work with clients and with each other. These changes put us at the forefront of audit methodology and provide an ideal international platform for aggressive growth.

A key priority is the swift implementation of these new ideas throughout our office network. This will require energy, a sound technical grasp of auditing and the use of technology, along with flexibility, strong communication skills and project management experience. You must be an experienced Audit Manager with a background in one of the major firms. The international nature of the role requires that you be equally at home in the US as in Europe and can work well with teams drawn from a range of backgrounds and cultures. Previous international experience would therefore be very much to your advantage.

This is an exciting opportunity to play a key part in the development of our business, presenting a unique challenge at the heart of one of the world's leading advisory firms. This high profile role will present outstanding opportunities for your personal development and career enhancement.

Interested candidates should send a comprehensive CV to: Charles Macleod, Price Waterhouse, 32 London Bridge Street, London SE1 9SY. Fax: 0171 939 3131. E-mail: Charles_Macleod@europe.notes.pw.com

Price Waterhouse

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

MANAGEMENT ACCOUNTANT

Essex

Excellent Package

Our client, a major plc within the drinks industry, is seeking to take on an enthusiastic accountant at one of their principal operating sites, based in Essex. The company is a major player in the world's spirits industry, producing leading brands of Scotch Whisky, Gin and Vodka.

Reporting to the Financial Controller, you will be a key member of a small, committed team, dedicated to improving customer service. The key responsibilities of this challenging role include:

- Co-ordinate month end activity including the development of Key Performance Indicators;
- Implementation of new systems and procedures;
- Working in partnership with Business Managers, providing financial and business support;
- Analysis and appraisal of commercial projects and new business opportunities.

The evolving nature of this role will suit a results and customer orientated qualified finance professional with excellent academic achievements, seeking variety and challenge in their career.

You will possess the following:

- Proven track record of success;
- Excellent analytical, influencing and communication skills;
- Ability to provide commercially driven solutions to business problems;
- Strength of personality coupled with proven leadership skills and the expertise to flex management style where necessary.

Interested candidates should contact Richard Baker ACMA or Paril Kotecha at Harrison Willis on 01727 840660 (evenings 0973 226749 or 0956 935919 respectively). Alternatively, details can be faxed on 01727 840662 or posted to 47 London Road, St. Albans, Herts AL1 1LJ. E-mail: st.albans@hwgroup.com Internet: http://www.hwgroup.com

HARRISON WILLIS

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INVESTOR IN PEOPLE

FINANCE DIRECTOR

WEST LONDON — **C. £45,000 + CAR + BENEFITS**

Accuracy, dependability and reliability are features inherent in the companies which form Kidde International, a division of a leading UK based corporation. The companies of Kidde International occupy a world market leadership in the supply of fire detection, fire suppression and safety control systems for aircraft, ships and vehicles, as well as industrial, commercial and consumer applications. This is a truly global operation, turning over in excess of £700 million.

The need has arisen to appoint a commercially minded Finance Director to a business unit specialising in the aerospace and military vehicle industries. Turning over £22 million with 200 employees, you will report to the Managing Director and have a dotted line to the Sector Finance Director.

Leading a team of eight, you will be responsible for:

- the provision and interpretation of accurate management information to enable effective business decisions to be taken
- budgeting and forecasting together with comprehensive performance analysis
- statutory returns, audit and monthly packs satisfying sector, divisional and group requirements
- management, motivation and development of the finance team
- management of internal cost efficiency projects
- ad hoc projects as requested by the Managing Director and operating Company Executives

The successful candidate will be a graduate professional accountant with a minimum of five years post qualification accountant including solid exposure to a manufacturing environment. Knowledge of MOD/DOD accounting would be advantageous.

Personal qualities must include excellent interpersonal skills, a practical approach and a "can do" attitude, which will provide a strong role model for the team; your proven track record and commercial acumen will be positively applied to assist the business achieve substantial future growth.

This is an outstanding opportunity for an ambitious and talented individual to join a highly successful operation within a parent organisation that has in excess of 30 operating companies in 11 countries.

Interested applicants who feel they match these requirements should forward a detailed Curriculum Vitae, stating current salary package, to Kacey Young or James Bacon at Robert Walters Associates, 10 Bedford Street, London WC2E 9HE. Tel: 0171 915 8867. Fax: 0171 915 8714. E-mail: james.bacon@robertwalters.com

ROBERT WALTERS ASSOCIATES

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LONDON WINDSOR AMSTERDAM BRUSSELS NEW YORK HONG KONG SYDNEY WELLINGTON AUCKLAND

FS 38091

AT THE CUTTING EDGE OF SAP IMPLEMENTATION...

Major Clearing Bank — Complete Project Teambuild - City — **to £50K (or more) + Bens**

Few projects match the size and complexity of our [illegible] Systems review, which impacts on all aspects of its national retail activities and beyond. Amongst the most advanced integrated SAP implementations in the [illegible] ... it will literally be world class. To deliver this project our client wishes to assemble a pool of outstanding talent, complimenting the resources of its "big [illegible]" by recruiting high-calibre professionals on both permanent and fixed term tenure. Reputations and careers are to be made in this initiative that will form the [illegible] by which others are judged.

Young Talent with Potential (permanent tenure) 3 to 10 years PQE

Graduate ACA/CIMA/ACCA with sophisticated HQ experience or exposure of/to US Multi-national or Blue Chip environment/ client base. Familiarity with tight deadlines/RRR and meeting the needs of demanding internal and [illegible] customers. Conversant with "big ticket" IT applications as a fundamental business process vehicle (rather than a mere efficiency expedient) you will have the attributes of drive, incisiveness, detail consciousness, focused delivery and self-discipline, coupled with the ability to "see the bigger picture".

Experienced Professionals (fixed term contract) to 20 years PQE

"Seasoned" [illegible] accountants with "hands-on" line corporate management experience. Technically strong and operationally experienced, but also "worldly-wise" [illegible] able to handle change whilst ensuring others are not threatened by it. Capable of instilling a collegiate ethos, you will comprehend both the user perspective and the business imperative to smooth out operational issues. Attributes sought are balance, maturity, leadership, team-play and common-sense fused with the drive and realism to get the job done.

Being in the right place at the right time needs a third [illegible] ingredient to translate into success - the relevant experience. All three are on hand for the successful candidate, plus the added benefit of excellent prospects for those who really [illegible] the required output being delivery to time, cost and quality.

Those interested should apply with a full CV, quoting reference 1925/FT, to Adrian Wheale at Wheale Thomas Hodgins Plc, Executive Resourcing, 13 Berkeley Square, Clifton, Bristol, BS8 1HG. Fax: 0117 927 2315. Interviews to be held in London.

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finance projects manager

finance professional managing information flow across Europe

Reading, to £45k + benefits

Our client is the leading provider of communication, entertainment and systems information equipment to the hotel sector and other business customers. With a growing business currently spanning 16 countries, their pan European operations have strong appeal for an increasing number of clients requiring a 'one stop shop' solution.

This new role offers an exciting opportunity for a Finance Projects Manager to contribute to this growing business. Reporting directly to the Divisional FD, key elements of this role will be:

- to review current European financial and reporting systems and evaluate new system solutions to deliver current requirements and future development plans.
- to develop and manage the implementation process across Europe of the chosen board approved system.
- to ensure high quality management and financial information is produced to help drive the business forward.

The successful applicant will be a finance professional with excellent project management skills and experience combined with hands on implementation of packaged systems. Key qualities must include excellent communication and presentation skills, a focused approach and tremendous drive. This is a unique opportunity to join a forward looking and exciting division of a blue chip Plc.

Please apply by sending your CV and details on your current salary package to our retained consultant: James Topan, quoting reference number 1203, to Robert Half International, Princess Beatrice House, Victoria Street, Windsor, Berks SL4 1EH. Tel: 01753 857777. Fax: 01753 841878.

As retained consultants, any CV's submitted directly to our client will be forwarded to Robert Half International.

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SENIOR FINANCIAL ANALYST

Midlands

Excellent Remuneration Package + Relocation + International Travel

A STRATEGIC ROLE IN A GLOBAL ENTERPRISE

Our client is a £multi-million turnover division of a significant international PLC.
The company seeks to appoint a Senior Manager with the ability to take an influential role in evaluating and optimising investments in major power projects.

Reporting to the Group Director you will be pro-active in the analysis of new business opportunities and optimisation of financial structures and tariffs for bid submissions. You will take a leading role in creating and managing the financial models both in-house and through external advisors.

This is a real opportunity suited to an ambitious accountant or business professional who can combine experience in investment appraisal techniques with knowledge of financing structures. Experience of working in a finance environment combined with strong IT and communication skills will be prerequisites.

Interested candidates should write promptly to Deborah Sutton at Harrison Willis, Grosvenor House, Bennetts Hill, Birmingham, B2 5RS enclosing a full Curriculum Vitae and quoting reference 027528. Telephone: 0121 633 0010. Fax: 0121 633 0862. E-mail: birmingham@hwgroup.com Internet: http://www.hwgroup.com

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INVESTOR IN PEOPLE

PROJECT CONTROLLER

INTERGEN

Essex

£Attractive Salary + Benefits

The Company

InterGen, an affiliate of the world's premier engineering/construction company Bechtel Enterprises, was formed in 1995 to develop, finance, own and operate power related projects. Currently the organisation has projects under construction in the United Kingdom, the Philippines, Mexico and Columbia. In just two years, InterGen has established itself as a leading international power producer with an asset base of $US 1 billion.

The Role

InterGen is currently in the process of developing a combined cycle gas turbine plant near the Thames Estuary in Essex. Therefore an opportunity exists for a qualified accountant to join the organisation in this very high profile role, offering immediate responsibility and a wide variety of challenges. You would undertake the complete financial control of the project throughout its development, construction and operation. This would encompass reviewing facility agreements, management of finance risk, statutory and month-end reporting/forecasting and recruitment of a small accounting team.

The Appointee

Qualified with 3-4 years post qualification experience, you will possess excellent oral and written communication skills. With a high degree of commercial awareness and business acumen, you will be able to work on your own initiative and take on immense responsibility at an early stage. Experience of relevant industries would be beneficial, but paramount is a natural drive and enthusiasm to rise to the challenge of this growing organisation.

To apply please write enclosing your CV and current salary details to our recruitment advisor, Wendy Bryan, Hays Accountancy Personnel, 1-5 High Street, Romford, Essex RM1 1JU. Tel: 01708 752878. Fax: 01708 752652.

Hays — Hays Accountancy Personnel

FINANCE DIRECTOR

North East Essex

£45,000 + 20% Performance Bonus + FE Car + Pension + Healthcare + PHI

The Company

Autonomous and highly profitable, this building products manufacturer is a £30 million turnover subsidiary of a large, successful plc. Market driven and committed to world class manufacturing principles they have made significant capital investment to ensure that the growth potential of new and existing markets is maximised.

The Role

Appointed to the board, you will work closely with the Managing Director and play a key role in the strategic development of the company. Managing the finance, IT, purchasing and human resources functions, key objectives will include:

- Developing management information and promoting financial awareness throughout the business
- Organisational review to ensure that projected growth targets will be achieved
- Improving the quality of costing information within a fast changing environment and providing the financial input to the commercial decision making process

The Appointee

- Professionally qualified, you can demonstrate a successful career track record, including experience or knowledge of world class manufacturing principles.
- Self-motivated, pro-active and a team player you are able to instigate and manage change.
- Commercially astute, you combine strategic vision with a "hands on" management style.

To apply please write enclosing your CV and current salary details to our recruitment advisor, Nicole Bridges, Hays Accountancy Personnel, 36 Museum Street, Ipswich, Suffolk. IP1 1JQ. Tel: 01473 215068. Fax: 01473 232738. e-mail:tonic@globelnet.co.uk

Hays — Hays Accountancy Personnel

Developing innovative financial strategies

FINANCE DIRECTOR c. £45,000 London

INTERNATIONAL PROFESSIONAL INSTITUTION

Our client is a leading international Professional Institution serving its members in over 100 countries from a central London base. A progressive Institution, it is committed to providing members with the highest quality services whilst ensuring that the professional qualifications equip members with the skills and status required for success in the 21st century.

You will recognise the importance of developing innovative financial strategies as well as delivering high quality management information. You will have:

- Implemented major management reporting and accounting systems
- Excellent communication and influencing skills and be comfortable working at the highest levels
- Experience of contributing to the development of strategic business plans
- Managed finance departments in large and complex organisations

The ideal candidate is likely to be a qualified accountant (FCA), aged 40+ with a strong commercial background and a passionate commitment to member services; a multi-tasker, computer literate with strong technical skills acquired in a high volume business environment.

Interested candidates should write with full CV, quoting current package to Julian Morris, The Principle Partnership, 20 Craven Terrace, Lancaster Gate, London W2 3QH. Telephone: 0171 706 7887, Fax: 0171 706 7889, email jmorris@tpp.co.uk.

Director of Finance
and Company Secretary

Civil Engineering Contractor — *Camberley*

A RARE OPPORTUNITY TO JOIN A VERY SUCCESSFUL COMPANY WORKING IN THE UK AND INTERNATIONALLY

EXCELLENT SALARY AND BENEFITS

THE COMPANY

- Edmund Nuttall, established in 1865, has a turnover in excess of £200m and is an operating company of the £3.7bn European construction group, HBG, Hollandsche Beton Groep nv
- The Company plans to achieve controlled profitable growth
- The Company's business sectors include: maritime; transportation; water; tunnelling; land rehabilitation; industrial and general civil engineering.

THE POSITION

- Reporting to the Managing Director
- Responsible for all aspects of financial management and control
- Company Secretarial responsibilities
- Assistance in mergers and acquisitions
- Responsible for taxation and information technology
- Treasury
- Investment analysis.

QUALIFICATIONS

- Qualified accountant, ideally with degree
- Background in construction essential
- Exposure to overseas contracting
- Working knowledge of joint ventures and/or partnerships
- Experience of financial engineering, including PFI/DBFO
- Hard working team member.

Please apply in strictest confidence in writing, enclosing a CV, to Graham D. Medcroft, Director, Human Resources, Edmund Nuttall Limited, St James House, Knoll Road, Camberley, Surrey GU15 3XW.

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SENIOR FINANCIAL ANALYST

Midlands

Excellent Remuneration Package + Relocation + International Travel

A STRATEGIC ROLE IN A GLOBAL ENTERPRISE

Our client is a £multi-million turnover division of a significant international PLC.

The company seeks to appoint a Senior Manager with the ability to take an influential role in evaluating and optimising investments in major power projects.

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This is a real opportunity suited to an ambitious accountant or business professional who can combine experience in investment appraisal techniques with knowledge of financing structures. Experience of working in a finance environment combined with strong IT and communication skills will be prerequisites.

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INVESTOR IN PEOPLE

SENIOR TAX ADVISOR

National Australia Group

City To £55,000 + Car + Banking Benefits

National Australia Group Europe Ltd is one of the largest and most successful banking groups in the World, employing over 45,000 people in more than 2,000 branches and business outlets Worldwide. European operations include the Clydesdale, Yorkshire, Northern and National Irish Banks.

Reporting to the European Head of Tax, an exceptional opportunity has arisen to join their Taxation advisory team in this project-driven role which will encompass the following:

- Evaluation of tax based structures and their suitability for the group.
- Pro-active tax advice on transactions/products within Corporate Banking, Capital Markets, Specialised Finance and Treasury.

The successful candidate, probably aged in your 30's will be a qualified accountant with strong UK and international tax experience and will have a demonstrable track record in completing cross border transactions.

Strong communication skills are essential as is the ability to liaise effectively with senior management.

For further details contact **Jane Braithwaite** at Douglas Llambias Associates on 0171 420 8000 (evenings/weekends 0976 964932) or Fax: 0171 379 4820. E-mail: info@llambias.co.uk or write to Douglas Llambias Associates PLC, 10 Bedford Street, London WC2E 9HE. Applications sent direct to National Australia Group Europe Ltd will be forwarded to DLA.

DLA — DOUGLAS LLAMBIAS ASSOCIATES — RECRUITMENT CONSULTANTS — DLA

Chetham's School of Music
Bursar

c.£35,000 — **Manchester**

Chetham's School of Music, located in the heart of Manchester, is renowned as one of the foremost specialist schools for musically gifted pupils. Around 90% of our students board during term time. The school also provides the academic education for the choristers of Manchester Cathedral. The present Bursar is due to retire and we are looking for a successor.

The focus of the role is to manage the day to day financial affairs of the School, liaising between parents and the DFEE. There is a need to provide historic accounts of performance and future forecast of income and liabilities. Working closely with the Headmaster and the Director of Music, the Bursar is responsible for the management and implementation of the development plan for property and plant. There is a small supporting team of staff and an established computer information system.

Interested applicants should be qualified accountants with the knowledge to handle the computerised systems. Experience in a similar position is preferred. Further details are available on request.

Applicants should write to The Headmaster, Chetham's School of Music, Long Millgate, Manchester M3 1SB enclosing a CV and the names of three referees. Contact may be made by e-mail to HullahP@aol.com Applications should arrive no later than 16 December 1997. Interviews will be held on 13 January 1998.

Coopers & Lybrand — Executive Resourcing

Finance Director

FLOTATION OPPORTUNITY

NORTHERN HOME COUNTIES — £100,000 PACKAGE + OPTIONS

Our client is a successful food company which operates throughout the UK. Profitable and with a turnover of approximately £50m they have ambitious plans for dramatic future growth and aim to become a major player in their market. To capitalise on their investment they are seeking to appoint a Financial Director to lead the company to flotation in late 1998.

Working closely with the Chief Executive and taking an active role in managing the growth of the company, you will ensure that systems, controls and procedures are in place to enable further expansion of the business. You will also be heavily involved in front-end negotiations with external advisors to ensure the successful flotation in the near future.

To succeed in this challenging yet demanding role you will need to be able to demonstrate a track record of achievement in your career to date. As a graduate with experience gained from a "Big 6" firm, your commercial exposure will have been at board level; either as a finance director or in a corporate finance advisory role; where you have developed your presentation and influencing skills. This is not a role for the faint hearted as you will need to possess high levels of drive, energy and commitment. In addition to an attractive remuneration package you will be rewarded with generous stock options.

Please send full personal and career details, including current remuneration level and daytime telephone number to Neil Holmes, Coopers & Lybrand Executive Resourcing Ltd, Harman House, 1 George Street, Uxbridge, Middlesex UB8 1QQ, quoting reference NH652 on both envelope and letter.

هكذا من الاصل

IT Appointments

INVESTMENT BANKING

C++/MATHS
£30K - £50K + BONUS + BENS

Derivatives Research and Development group of this Global Leading Investment Bank seeks a Programmer with strong mathematical skills. Acting as an interface between IT and the Quantitative Team, you will build pricing models, and provide analysis and design expertise. A first or 2.1 degree is essential coupled with a minimum of 18 months C++ expertise. Good opportunities to develop your quantitative and financial product knowledge.

NT/C++/SQL SERVER
£30K - £50K + BONUS + BENS

Senior Developers required for mission critical development based on the Equities floor of this leading European Investment Bank. A minimum of 12 months C++/SQL Server experience is essential, coupled with strong communication skills and some knowledge of Investment Banking. This is a wonderful opportunity to join an equities team at a time of significant expansion. Rapid career growth for the right candidates.

VISUAL BASICS/SQL/MATHS
£35K - £45K + BONUS + BENS

World leading Investment Bank seeks Financial Engineers with strong programming and numerical skills. You will assist with the modelling of F.X. volatility's and the quantitative analysis of historic and implied volatility's between currencies. You will also develop models to improve risk management. Strong numerical, programming and communication skills are absolutely essential.

STOCHASTIC CALCULUS
£40K - £60K + BONUS + BENS

Premier Investment Bank seeks a Quantitative Analyst with a first-class educational background and a good understanding of Stochastic Calculus. You will provide research for Derivatives Traders, build and design pricing tools and provide risk analysis. Outstanding opportunities for top quality candidates who seek new and exciting challenges.

FIXED INCOME ANALYTICS
£40K - £60K + BONUS + BENS

Fixed Income Research and Development group of this Global Leading Bank seeks Financial Engineers and Quantitative Analysts who possess strong mathematical and financial skills. Liaising with Traders and Senior Quantitative Experts, you will build analytics tools and risk analysis for the Traders. A Ph.D. or financial qualification is essential coupled with good programming skills.

EQUITY DERIVATIVES
£50K - £100K

Pre-eminent US Investment Bank seeks a PROJECT MANAGER with significant front office experience and a good understanding of client server technology. Strong Equities knowledge is a must as you will be required to liaise between the business and technology. A strong educational background coupled with extensive project management experience is essential. A FRONT OFFICE DEVELOPER with strong VBA/EXCEL and numerical skills is also required, situated on the trading floor, you will provide technical and business solutions to traders and sales people.

ARc

The people the City turn to first.

Many of our clients also offer Contract opportunities requiring the above skills.
This is just a small selection of the quality positions we have available. To discuss your options call Paul Wilkins on 0171 287 2525 or fax your CV to us on 0171 287 9888. Or alternatively, please write to us at ARC Recruitment, 15–16 New Burlington Street, London W1X 1FF. E-mail: arc@itjobs.co.uk

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QUANTITATIVE ANALYST
CITY BASED
TO £60,000 + BONUS

As one of Europe's leading banking and broking institutions our Client has an enviable reputation for Investment Research, especially within the Equities Market. Due to expansion of their team they now require two Quantitative Analysts to work within the Equity Strategy group developing mathematical models for pricing of UK and international equities. You will also be expected to provide various statistical information on an ad-hoc basis when required. You will be a graduate with a mathematical, physics, statistics or econometrics degree, ideally with a years' experience in the City markets. Proven experience of Java, C++ or Visual Basic is highly desirable. This is an induction program for new people incorporating the appropriate financial markets courses.

BUSINESS ANALYST
DOCKLANDS
TO £40,000 + BANK BENEFITS

Our Client is one of Europe's most prestigious banking institutions covering Money Markets, FX, Securities and investment management. As part of a planned expansion program they are now looking to recruit business analysts with 2-3 years business analysis experience gained in a banking or financial consulting group. Areas of experience should cover Treasury, Securities and Financial Accounting. The role will include requirement evaluation, project planning and testing and the implementation of all phases of project development. You will be of graduate calibre and probably come from a technical background using client server and relational database technologies. You will be self motivated and have proven communication and presentation skills. Long term career opportunities are excellent as is the chance to travel to other offices world-wide.

PROJECT MANAGER
INVESTMENT BANKING
£50,000-£65,000 + BANK BENEFITS

Our Client is a truly integrated investment banking organisation operating globally across a wide range of financial markets. Their groupwide strategy incorporates major developments across treasury products, interest rate derivatives, securities and equities. With a massive commitment to IT systems they are currently looking for exceptional people with a proven record in Project delivery and Object Orientated Systems, RDBMS (especially Sybase and Sequel Server) and the breadth of mindset to comprehend the complexities of the systems required to drive these projects to a successful conclusion. Ideally you will have a numerate degree and a background in the City trading markets from within investment banking, management consultancy or a Systems/Product supplier.

DERIVATIVE ANALYST DEVELOPER
CITY BASED
TO £40-60,000 + BENEFITS

We are a highly prestigious Investment banking, broking and commodities trading firm providing the full range of activities including: Equity Trading, Capital Markets, Securities, Corporate Finance and Fund Management. Their fixed income trading group specialising in a wide range of developments including Exotics and FX Options products are looking for THREE analyst/developers who will be working closely with the Quantitative group implementing pricing models and valuation techniques in a C and C++ environment. You should be able to demonstrate a sound knowledge of Fixed Income, Equities, FX or other associated derivative market products gained in either another investment banking or City software product supplier. Proven experience of C or C++ is essential, Sybase n/b is highly desirable. Ideally a graduate, you will have 2-4 years experience and be looking for a move into one of the most innovative and successful investment houses world-wide.

For further information on these and other positions please contact Rod Mackenzie at Zarak Group Technology on 0171-523 3720. Fax on 0171-523 3721 (01279-725683 evenings and weekends) or write to him at 37 Sun Street, London EC2M 2PY. E-mail rmackenzie@zgt.zmb.co.uk

ZGT
ZARAK GROUP TECHNOLOGY

For further information on the FTIT section
please call Mark Cunnington on +44 171 873 3761

FTIT

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GROUP HEAD OF IT
Delivering Technical Excellence on a Global Stage

Southern Home Counties **£ Excellent Package**

Our client is an international electronics group with interests in all areas of the world, particularly Europe, Asia and the Americas. With a turnover in excess of £500 million, healthy profits and a clear strategy for growth, there is currently a requirement for an outstanding individual to facilitate the implementation of best practice IT solutions across the group and within the operating companies.

THE POSITION

- Work with the group management board and divisional heads to establish IT strategies which deliver competitive advantage.
- Manage the delivery of individual projects such as worldwide communications and integrated manufacturing solutions.
- Identify/establish centres-of-excellence throughout the group and enable the sharing of local capabilities.
- Directly manage head office IT staff and provide thought-leadership and mentoring to staff around the world.

QUALIFICATIONS

- Experience gained in an internation.!, multi-site manufacturing environment, with broad technical knowledge and practical project management skills.
- A strong commercial awareness will be coupled with the interpersonal skills required to influence at all levels within a complex organisation.
- The ability to deal with the cultural issues associated with multi-national organisations is essential and French or German language skills would be an advantage.

Interested candidates should write enclosing full career details, current salary and where possible a daytime telephone number to John Anderton at Questor International, 3 Burlington Gardens, London W1X 1LE. Fax 0171 287 5457. E-mail john@questorint.com. Please quote reference 2345.

QI
QUESTOR INTERNATIONAL

DEVELOPMENT MANAGERS

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Our client enjoys an enviable reputation as one of the world's leading investment banks. To sustain and accelerate the momentum built by their successful trading performance, they are determined to attract and develop business-oriented technologists with drive and vision. They are currently seeking to recruit hands-on Development Managers possessing appropriate development, project management and man-management skills to turn commitment into reality.

The roles are to join a specialist team working on systems, architecture and technology delivery to specific business areas. Reporting directly to the Head of IT, you will be tasked with the ownership and delivery of business-oriented projects, providing both a centre of technical excellence and sponsorship combined with the commercial mind-set to deliver competitive advantage to the organisation.

It is likely that your experience will have been gained in a software house or consultancy environment. You will have a proven track record in systems delivery and an in-depth hands-on understanding of the development life-cycle. The group has a 3-tier technical environment deploying Microsoft technology against a Sybase back-end. It is preferable that you have demonstrable experience in these areas. In addition, a history of some/any of the following will be advantageous: C++; OO; real-time development; Corba; Java; HTML; Internet skills; NEON; transaction processing; third-party applications. Key to these roles is your track record of project and man-management, as well as developed communication skills which allow you to work in tandem with users to propose and deliver relevant solutions.

Previous financial markets experience is of particular interest to our client - especially if you have delivered Money Markets/FX or interest rate derivatives systems. However, if you can demonstrate significant experience as above and are committed to take time to learn about financial markets business issues, you will be of equal interest to the organisation.

For further information about these roles, please contact Karen Higgins, quoting reference KHFT223, on 0171 247 7444. Alternatively, send your CV to McGregor Boyall Associates, 114 Middlesex Street, London E1 7JH. Fax: 0171 247 7475. Email: khiggins@mcgregor-boyall.co.uk or visit our web-site at www.mcgregor-boyall.co.uk

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The European Fixed-Income business is the bank's largest business unit and is a clear leader in this field. Technology is a key business driver and its effective deployment is critical for continued success in this market.

THE POSITION

- Develop and implement infrastructure plan for the European Fixed-Income Group.
- Identify and articulate business requirements. Plan, scope, prioritise and initiate projects.
- Manage vendors. Implement and monitor SLAs.
- Control substantial budgets. Establish strong relationships with business managers.

QUALIFICATIONS

- Outstanding IT manager with demonstrable business flair combined with technology expertise.
- Graduate calibre. Thorough knowledge of investment banking gained in a banking or management consultancy environment. Fixed Income experience ideal.
- First-class communication skills. High levels of drive, energy and enthusiasm. Credible at all levels.

SAINTY HIRD & PARTNERS

SHP ASSOCIATES

Please send a full cv and current salary details, quoting reference 971117(F), to SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800.

RISK MANAGEMENT AND DERIVATIVES SPECIALISTS

Business Analysts and Consultants

Our client is a fast growing niche player in the Derivatives and Risk Management Market. It provides business consultancy and technical solutions to the banking and finance sector globally. The tremendous success and growth of the company has resulted in the creation of a number of excellent opportunities and therefore the need to identify key individuals to join this dynamic organisation.

These positions will involve working with the risk management and derivative trading areas of major banking institutions, analysing and defining their business requirements and recommending and delivering appropriate solutions.

You will have worked for a bank, closely involved with the risk management or derivative trading function. Your current responsibilities include supporting the business technically, providing modelling and pricing support or developing and implementing tools and systems for managing risk.

You will have at least 2-3 years' experience in one of the following areas:

- **Derivatives including Swaps and Options**
- **Equity Derivatives**
- **Market Risk**
- **Credit Risk**

You will be well qualified academically and have good interpersonal skills with the ability to communicate effectively at all levels. A high degree of professionalism and enthusiasm with a delivery-oriented approach is essential.

These positions will be well rewarded and may involve international travel. This is a good opportunity to join a young growing organisation with excellent career potential.

If you are able to meet these challenges and have the qualities and experience to realise these career opportunities, please send your CV to: **Alan Summers, quoting reference FT1201, at S&H Consulting Limited, Lloyds Avenue House, 6 Lloyds Avenue, London EC3N 3AX. Tel. (0171) 481 1171. Email - SHConsult@aol.com**

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IT Appointments

Training and Development Consultants

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Our client is experiencing major growth within the finance sector and wishes to recruit business practitioners who have the ability to pass their knowledge on to others and direct change in this demanding business sector. Strong project management, consultancy and communication skills are therefore a must. Applicants should come from the following business areas and be able to demonstrate a broad level of exposure within their chosen market segments:

- Insurance
- Investment Banking
- Retail Banking

Additionally our client is keen to recruit people with working knowledge of the impacts and opportunities presented by Economic & Monetary Union.

The assignments will vary from managing corporate awareness & communication programmes, training operational people within an organisation through to educating senior Managers and Board Members. Candidates should therefore be confident, credible and happy when operating at all levels within a company. They may also be required to help implement change management programmes from the HR perspective and need to be strong facilitators with the potential to develop into change leaders.

As well as experience in the above sectors candidates should also be able to demonstrate:

- IT and PC literacy
- Mobility
- Professionalism
- Willingness to work hard to get results
- Ability to work effectively within a team environment and on an individual basis

These opportunities will involve some travel both in the UK and world-wide. Positions are open to permanent and contract professionals. Packages offered reflect the skills, experience and attitudes of the people required.

For these and numerous other exciting opportunities please email your CV and full details of your current role and remuneration package.

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PROJECT MANAGER / ANALYST

Midas-Kapiti
INTERNATIONAL

Midas Kapiti International is the world leader in banking solutions, with an unrivalled history of international growth and progressive, dynamic development. Today, their innovative and leading edge products and services are used in 90 countries by over 1,000 financial institutions, including 84% of the world's leading banks. This impressive list of clients is supported locally through a network of 24 international branches.

As demand for the company's products and services continues to grow, they have a need for dynamic software professionals to help keep their products apace with the constantly changing market requirements.

The company is looking to recruit a number of individuals with Banking or Financial backgrounds to undertake development work on the company's leading banking product, MIDAS.

The Role

The division is responsible for the development, maintenance and roll-out of the 'core' Midas back office banking products, and these individuals will be responsible for:

- Developing major solutions for their clients through the full project life cycle, including analysis, design and full implementation.
- Liaising with many areas of the business including the product marketing team and the banking consultants to ensure all new developments are meeting the demanding market requirements.
- Providing site support where necessary in a consultancy/educational capacity.

Successful candidates

You will have two of the following:

- Strong business analysis skills gained within the banking environment
- Proven system design skills within an AS400/RPG environment
- Excellent project management skills.

Telephone: 0171 419 0231/ 0232 Fax: 0171 813 4055 E-mail: john@dearman.demon.co.uk

To apply for this position, or for a more detailed discussion, please contact: **John Hunt** or **James Turner** @ DRAX DEARMAN ASSOCIATES, Charlotte House, 14 Windmill Street, London W1P 2DY Tel: 0171 209 1000 (quoting reference FT0146)

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- Provide our clients with the highest quality recruitment services
- Achieve high levels of repeat business
- Work both independently and as part of a multifunctional team
- Sustain continuous improvement as an individual and in your contribution to your team and the Company

Your background should be in Information Systems, Technology or Electronics in either a Sales or a Consultancy role. Candidates should have an excellent academic background and be able to demonstrate a progressive record of achievement to date.

We offer you significant investment in your training and personal development, unlimited earnings potential, and excellent career prospects both in the UK and overseas.

Interested candidates should write with full CV, quoting current rewards package to Cindy Irvine, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995, quoting ref: HCI/14414/FT.

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INVESTOR IN PEOPLE

THE PSD GROUP

Information Systems Manager
Investment Management

Excellent Salary + Benefits — **Central London**

Our client is an established investment manager within one of the UK's largest financial services groups, employing some 2000 people in the UK and overseas. The firm manages a range of funds for both individual and corporate investors. They have long recognised the importance of both the IT and the investment businesses working together, and therefore, this important new management role has been created to strengthen the team, in readiness for the introduction of new and improved services to support planned business growth.

Current technology is based on a powerful PC LAN, connected to the group WAN. Client-server systems using relational databases are being developed to interface with existing package and customised applications. The longer term technical strategy is currently under review and the appointee can expect to be involved in its development and implementation.

Reporting at board level, the IS Manager will be responsible for all aspects of information systems and technology for the investment management business, including development, operations and support functions. The role offers the opportunity to lead the development and implementation of systems and technology strategies, aligned with the business strategy.

You will have IT management experience in an investment management organisation, providing you with a good understanding of the modern investment business, coupled with ideas on how to drive business improvement through the use of technology. Excellent leadership and presentation qualities will be essential for the success of the role.

Please write with a full CV, to Megen Muller at
Ainsworth & Associates, 3 Onega Gate,
Greenland Dock, London SE16 1PR.
Telephone 0171-252 [illegible]. Fax: 0171-252 3074.

AINSWORTH & ASSOCIATES

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FT-IT Review of Information Technology 1998.

The Financial Times plans to publish FT-IT on the following dates in 1998.

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or Katharine Morton on Tel: +44 171 873 3746

or Fax: +44 171 873 3062

or your usual Financial Times representative

FT Surveys

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IT Appointments

IT Appointments